

The State of Delaware

FY23 Long-term Projections

SEBC Combined Subcommittee Meeting

August 18, 2022



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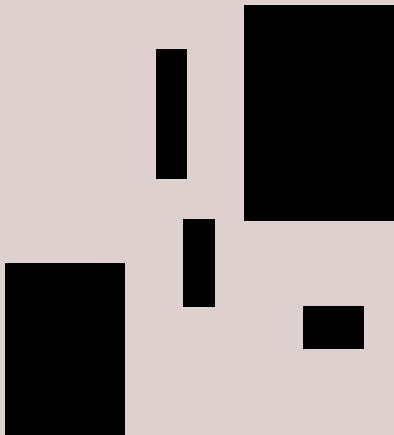
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Updated long-term projections



GHIP long term health care cost projections

FY22 Q4 Update

- The GHIP long-term projections have been updated based on experience through June 2022 and align with the FY23 Budget to be presented to the SEBC on August 22, 2022
- In addition to updated experience through June 2022, the long-term projections reflect the following:
 - Final FY22 ending balance, including
 - Additional \$3.2M in COVID-19 expense reimbursement payments received in June 2022
 - Q1 2022 EGWP coverage gap discount payment (\$3.7M) was received in June (projected to be received in July)
 - Projected EGWP revenue payments (direct subsidy, coverage gap discount, federal reinsurance) for remainder of CY22 and CY23 updated based on recent experience
 - Results in reduction to anticipated revenues, including the CY22 federal reinsurance true-up payment to be received in January 2024 (approx. \$11M reduction)
 - Reduction in projected rebate payments based on changes in GHIP drug utilization

Component (\$M)	Description	FY22	FY23	FY24
FY22 Q3 Projected Surplus/(Deficit)		\$61.9	\$8.8	(\$79.1)
Change in balance forward	Reflects change in starting fund balance due to to prior year updates, including change in reserves	n/a	\$10.0	(\$9.1)
COVID-19 Reimbursement	Additional \$3.2M in COVID-19 reimbursement funds received in June 2022 (previously assumed no additional reimbursements)	\$3.2	\$0.0	\$0.0
Experience	Updated claims and enrollment	\$3.3	(\$10.7)	(\$9.8)
Updated Other Revenues	Includes revised EGWP payments, pharmacy rebates and participating group fees	\$3.5	(\$9.6)	(\$15.5)
FY22 Q4 Projected Surplus/(Deficit)		\$71.9	(\$1.6)	(\$113.5)

GHIP long term health care cost projections

FY22 Q4 Update

GHIP Costs (\$ millions)	FY21 Actual	FY22 Actual	FY23 Projected ¹	FY24 Projected ¹	FY25 Projected ¹	FY26 Projected ¹	FY27 Projected ¹
Average Enrolled Members	129,768	130,141	131,442	132,756	134,084	135,425	136,779
GHIP Revenue							
Premium Contributions (Increasing with Enrollment) ²	\$839.4	\$839.7	\$865.9	\$832.9	\$841.2	\$850.5	\$860.8
<i>Hold premium rates flat FY24+</i>							
Other Revenues ³	\$128.9	\$194.7	\$179.0	\$207.8	\$221.6	\$239.7	\$259.4
Total Operating Revenues	\$968.3	\$1,034.4	\$1,044.9	\$1,040.7	\$1,062.8	\$1,090.2	\$1,120.2
GHIP Expenses (Claims/Fees)							
Operating Expenses ⁴	\$1,005.7	\$1,029.6	\$1,111.6	\$1,149.5	\$1,228.5	\$1,314.8	\$1,408.3
% Change Per Member	7.4%	2.1%	6.9%	2.4%	5.8%	6.0%	6.1%
Adjusted Net Income (Revenue less Expense)	(\$37.4)	\$4.8	(\$66.7)	(\$108.8)	(\$165.7)	(\$224.6)	(\$288.1)
Balance Forward	\$189.8	\$152.3	\$157.2	\$90.5	(\$18.3)	(\$184.0)	(\$408.6)
Ending Balance	\$152.3	\$157.2	\$90.5	(\$18.3)	(\$184.0)	(\$408.6)	(\$696.7)
- Less Claims Liability ⁵	\$57.5	\$61.0	\$65.9	\$68.1	\$72.8	\$77.9	\$83.4
- Less Minimum Reserve ⁵	\$24.3	\$24.3	\$26.2	\$27.1	\$29.0	\$31.0	\$33.2
GHIP Surplus (After Reserves/Deposits)	\$70.5	\$71.9	(\$1.6)	(\$113.5)	(\$285.8)	(\$517.5)	(\$813.3)

- Projections reflect all items voted on by SEBC as of July 25th, 2022 SEBC meeting and assume no additional program or legislative changes impacting GHIP spend

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-FY20 actual results (slide 11) and detailed projection footnotes (slide 12)

GHIP long term health care cost projections (FY22 Q4 update)

Premium rate increase scenarios

- Projected \$113.5M FY24 deficit driven by:
 - GHIP surplus fully depleted by end of FY23
 - Health care trend (5.5% medical, 8% pharmacy)
 - Lost Medicfill subsidy triggered by move to Group MA Plan with \$0 medical only premium
 - Reduction in anticipated revenues (EGWP, rebates) based on recent GHIP experience
- Continued favorable experience projected in FY24, including:
 - Operating expenses only +2.4% over FY23
 - Other Revenues projected \$28.8M higher than FY23 driven by CVS Health Rx contract
 - Offset by \$33.0M reduction in premium revenue due to reduced Medicfill subsidy; requires additional active and pre-65 retiree contributions to make up for reduced subsidy
- Absent any additional program changes, a **14.3% rate increase** effective 7/1/2023 is required to solve for the **\$113.5M projected FY24 deficit**
 - Loss of available surplus to offset premium increases by end of FY23 results in larger rate actions needed to solve for future deficits
- Smoothing the rate increase over three years to solve for FY26 deficit requires approximate 9.8% annual rate increases per year in FY24, FY25 and FY26
- ***Impact of Delaware legislative activity and upward pressures on health care trend may drive projected deficits higher absent additional program changes***

FY24 monthly rates and employee/retiree contributions

Illustrative: 14.3% increase effective 7/1/2023

FY24 reflects employee contribution increases of \$4.32 - \$42.40 per employee per month (\$51.84 - \$508.80 per year) and State subsidy increases of \$103.75 - \$279.86 per employee per month (\$1,245.00 - \$3,358.32 per year) effective 7/1/2023

	FY23 Rates			FY 2024 with 14.3% Increase (effective 7/1/2023)			\$ 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	\$755.64	\$30.22	\$725.42	\$863.71	\$34.54	\$829.17	\$4.32	\$51.84	\$103.75	\$1,245.00
Employee + Spouse	\$1,563.42	\$62.54	\$1,500.88	\$1,787.00	\$71.48	\$1,715.52	\$8.94	\$107.28	\$214.64	\$2,575.68
Employee + Child	\$1,148.66	\$45.94	\$1,102.72	\$1,312.92	\$52.52	\$1,260.40	\$6.58	\$78.96	\$157.68	\$1,892.16
Family	\$1,954.34	\$78.18	\$1,876.16	\$2,233.82	\$89.36	\$2,144.46	\$11.18	\$134.16	\$268.30	\$3,219.60
CDH Gold										
Employee	\$782.08	\$39.10	\$742.98	\$893.92	\$44.70	\$849.22	\$5.60	\$67.20	\$106.24	\$1,274.88
Employee + Spouse	\$1,621.60	\$81.08	\$1,540.52	\$1,853.50	\$92.68	\$1,760.82	\$11.60	\$139.20	\$220.30	\$2,643.60
Employee + Child	\$1,194.90	\$59.74	\$1,135.16	\$1,365.78	\$68.28	\$1,297.50	\$8.54	\$102.48	\$162.34	\$1,948.08
Family	\$2,060.10	\$103.00	\$1,957.10	\$2,354.70	\$117.74	\$2,236.96	\$14.74	\$176.88	\$279.86	\$3,358.32
Aetna HMO										
Employee	\$788.88	\$51.28	\$737.60	\$901.70	\$58.62	\$843.08	\$7.34	\$88.08	\$105.48	\$1,265.76
Employee + Spouse	\$1,663.28	\$108.12	\$1,555.16	\$1,901.14	\$123.58	\$1,777.56	\$15.46	\$185.52	\$222.40	\$2,668.80
Employee + Child	\$1,206.80	\$78.44	\$1,128.36	\$1,379.38	\$89.66	\$1,289.72	\$11.22	\$134.64	\$161.36	\$1,936.32
Family	\$2,075.40	\$134.90	\$1,940.50	\$2,372.18	\$154.20	\$2,217.98	\$19.30	\$231.60	\$277.48	\$3,329.76
Comprehensive PPO										
Employee	\$862.68	\$114.30	\$748.38	\$986.04	\$130.64	\$855.40	\$16.34	\$196.08	\$107.02	\$1,284.24
Employee + Spouse	\$1,790.16	\$237.20	\$1,552.96	\$2,046.16	\$271.12	\$1,775.04	\$33.92	\$407.04	\$222.08	\$2,664.96
Employee + Child	\$1,329.54	\$176.16	\$1,153.38	\$1,519.66	\$201.36	\$1,318.30	\$25.20	\$302.40	\$164.92	\$1,979.04
Family	\$2,237.94	\$296.52	\$1,941.42	\$2,557.98	\$338.92	\$2,219.06	\$42.40	\$508.80	\$277.64	\$3,331.68

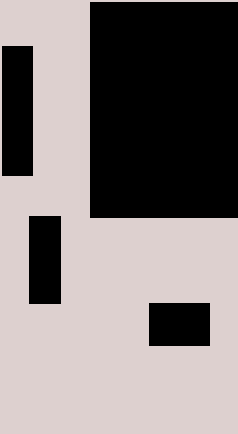
FY24 monthly rates and employee/retiree contributions

Illustrative: 9.8% increase effective 7/1/2023

FY24 reflects employee contribution increases of \$2.96 - \$29.06 per employee per month (\$35.52 - \$348.72 per year) and State subsidy increases of \$71.10 - \$191.80 per employee per month (\$853.20 - \$2,301.60 per year) effective 7/1/2023

	FY23 Rates			FY 2024 with 9.8% Increase (effective 7/1/2023)			\$ 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	\$755.64	\$30.22	\$725.42	\$829.70	\$33.18	\$796.52	\$2.96	\$35.52	\$71.10	\$853.20
Employee + Spouse	\$1,563.42	\$62.54	\$1,500.88	\$1,716.64	\$68.68	\$1,647.96	\$6.14	\$73.68	\$147.08	\$1,764.96
Employee + Child	\$1,148.66	\$45.94	\$1,102.72	\$1,261.24	\$50.44	\$1,210.80	\$4.50	\$54.00	\$108.08	\$1,296.96
Family	\$1,954.34	\$78.18	\$1,876.16	\$2,145.88	\$85.84	\$2,060.04	\$7.66	\$91.92	\$183.88	\$2,206.56
CDH Gold										
Employee	\$782.08	\$39.10	\$742.98	\$858.72	\$42.94	\$815.78	\$3.84	\$46.08	\$72.80	\$873.60
Employee + Spouse	\$1,621.60	\$81.08	\$1,540.52	\$1,780.52	\$89.04	\$1,691.48	\$7.96	\$95.52	\$150.96	\$1,811.52
Employee + Child	\$1,194.90	\$59.74	\$1,135.16	\$1,312.00	\$65.60	\$1,246.40	\$5.86	\$70.32	\$111.24	\$1,334.88
Family	\$2,060.10	\$103.00	\$1,957.10	\$2,262.00	\$113.10	\$2,148.90	\$10.10	\$121.20	\$191.80	\$2,301.60
Aetna HMO										
Employee	\$788.88	\$51.28	\$737.60	\$866.20	\$56.32	\$809.88	\$5.04	\$60.48	\$72.28	\$867.36
Employee + Spouse	\$1,663.28	\$108.12	\$1,555.16	\$1,826.28	\$118.72	\$1,707.56	\$10.60	\$127.20	\$152.40	\$1,828.80
Employee + Child	\$1,206.80	\$78.44	\$1,128.36	\$1,325.08	\$86.14	\$1,238.94	\$7.70	\$92.40	\$110.58	\$1,326.96
Family	\$2,075.40	\$134.90	\$1,940.50	\$2,278.80	\$148.12	\$2,130.68	\$13.22	\$158.64	\$190.18	\$2,282.16
Comprehensive PPO										
Employee	\$862.68	\$114.30	\$748.38	\$947.22	\$125.51	\$821.71	\$11.21	\$134.52	\$73.33	\$879.96
Employee + Spouse	\$1,790.16	\$237.20	\$1,552.96	\$1,965.60	\$260.46	\$1,705.14	\$23.26	\$279.12	\$152.18	\$1,826.16
Employee + Child	\$1,329.54	\$176.16	\$1,153.38	\$1,459.84	\$193.42	\$1,266.42	\$17.26	\$207.12	\$113.04	\$1,356.48
Family	\$2,237.94	\$296.52	\$1,941.42	\$2,457.26	\$325.58	\$2,131.68	\$29.06	\$348.72	\$190.26	\$2,283.12

Appendix



GHIP long term health care cost projections

FY23/FY24 cost avoidance opportunities

GHIP/Member Impact

- Favorable
- Neutral
- Unfavorable

- The following tactics target solutions aligned with the GHIP mission statement and goals, and are intended to provide cost reduction/savings opportunities that are least disruptive to GHIP members

Recommendation	Description	Member/GHIP Impact	FY24 Savings Potential
Pre-65 retiree Marketplace	Move to ACA Exchange/HRA	<ul style="list-style-type: none"> ○ More choice, lower cost ○ Potential for low income subsidies ○ Reduced contributions for actives ○ Reduced OPEB liability (RBSC goal) 	TBD
Expanded COE strategy, including bariatric surgery mandate through SP+	Target new conditions and high quality/low cost facilities; mandate procedures through SurgeryPlus	<ul style="list-style-type: none"> ○ Better quality/lower cost ○ Potential provider disruption ○ May move care out-of-state 	\$10M+
Implement CDHP-HSA plan	Add high-deductible plan with Health Savings Account option	<ul style="list-style-type: none"> ○ Drive consumerism ○ Attraction/retention mechanism ○ Member disrupted cash flow (loss of 1st dollar coverage) 	\$2-\$10M
Value-based contracting arrangements	Direct contracting, employer sponsored primary care, APM's	<ul style="list-style-type: none"> ○ Lower cost for GHIP and members ○ Potential provider disruption 	TBD
PrudentRx	Specialty Rx - Manufacturer assistance program	<ul style="list-style-type: none"> ○ Member engagement required 	\$7-\$8M
Implement MSK solution	Hinge Health/Sword Health solution to treat MSK conditions	<ul style="list-style-type: none"> ○ Increased access, better outcomes 	\$4-\$6M

GHIP historical health care fund information

FY17-FY20

GHIP Costs (\$ millions)	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual
Average Enrolled Members	123,132	125,488	126,360	128,531
GHIP Revenue				
Premium Contributions (Increasing with Enrollment) ²	\$799.0	\$810.9	\$817.4	\$830.8
<i>Hold premium rates flat FY21+</i>	-	-	-	-
Other Revenues ³	\$81.6	\$92.1	\$98.5	\$122.8
Total Operating Revenues	\$880.6	\$903.0	\$915.9	\$953.7
GHIP Expenses (Claims/Fees)				
Operating Expenses ⁴	\$816.8	\$853.9	\$904.0	\$927.7
<i>% Change Per Member</i>		2.6%	5.1%	0.9%
Adjusted Net Income (Revenue less Expense)	\$63.8	\$49.1	\$11.9	\$26.0
Balance Forward	\$38.9	\$102.7	\$151.8	\$163.8
Ending Balance	\$102.7	\$151.8	\$163.8	\$189.8
- Less Claims Liability ⁶	\$54.0	\$58.9	\$58.8	\$57.5
- Less Minimum Reserve ⁶	\$24.0	\$24.0	\$24.3	\$24.3
GHIP Surplus (After Reserves/Deposits)	\$24.7	\$68.9	\$80.7	\$108.0

GHIP long term health care cost projection footnotes

Note: FY17-FY20 actuals based on final June Fund Equity reports for respective fiscal year; FY23+ projected operating expenses and enrollment based on experience through June 2022; assumed 1% annual enrollment growth; numbers in table may not add up due to rounding

1. FY23-FY27 projections based on 5% medical, 8% pharmacy baseline trend; assumes 1% annual growth in GHIP membership; FY23 reflects impact of move from Medicfill to Highmark Group Medicare Advantage \$0 premium plan (medical only); assumes no other program or legislative changes in FY23 and beyond
2. Includes State and employee/pensioner premium contributions; assumes 1% annual enrollment growth for FY23-FY27
3. Includes Rx rebates, EGWP payments, other revenues based on when revenues will be received; FY23 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)
4. FY23 and beyond includes estimated reduction in pharmacy claims as a result of PBM award to CVS Health
5. Minimum Reserve and Claim Liability updated for FY23; reserves in future years assumed to increase with overall GHIP claims growth

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.