MINUTES FROM THE COMBINED MEETING OF THE FINANCIAL and HEALTH POLICY & PLANNING SUBCOMMITTEES TO THE STATE EMPLOYEE BENEFITS COMMITTEE
August 18, 2022

The Financial Subcommittee and the Health Policy & Planning ("HP&P") Subcommittee to the State Employee Benefits Committee (the "Committee") met Thursday, August 2022 in a combined meeting. In the interests of protecting the citizens of this State from the public health threat caused by COVID-19, participants had the option to attend virtually via Webex in addition to the option to attend in person.

Subcommittee Members Represented or in Attendance:

Deputy Director Leighann Hinkle, Statewide Benefits Office ("SBO") (Designee for Director Faith Rentz, SBO, Department of Human Resources ("DHR") (Appointee of Secretary Claire DeMatteis), Chair)
Ms. Elizabeth Massa, Executive Director DE Health Care Commission, Dept. of Health and Social Services ("DHSS") (Designee for Mr. Steven Costantino, Director Health Care Reform, DHSS (Appointee of Secretary Molly Magarik))
Mr. William Oberle, Delaware State Trooper's Association (Appointee of Mr. Taschner, Executive Director, DSEA)
Mr. Stuart Snyder, Chief of Staff, Department of Insurance ("DOI") (Appointee of Commissioner Trinidad Navarro)
Ms. Ashley Tucker, Deputy State Court Administrator, Administrative Office of the Courts, (Appointee of The Hon. Collins Seitz, Chief Justice, Delaware Supreme Court)
Ms. Judi Schock, Deputy Principal Assistant, Office of Management & Budget ("OMB") (Appointee of OMB Director Cerron Cade)
Mr. Daniel Madrid, Chief Operating Officer, Office of the State Treasurer (Appointee of The Honorable Colleen Davis, State Treasurer)
Ms. Victoria Brennan, Chief of Fiscal Policy, Office of the Controller General ("OCG") (Designee for Mr. Robert Scoglietti, Deputy Controller General, OCG (Appointee of Controller General Ruth Ann Jones))
Ms. Judy Anderson, Delaware State Education Association (Appointee of Mr. Taschner, Executive Director, DSEA)

Subcommittee Members Not Represented or in Attendance:

Mr. Keith Warren, Chief of Staff, Office of the Lt. Governor (Appointee of Lt. Governor Bethany Hall-Long)
Ms. Jeanette Hammon, Sr. Fiscal and Policy Analyst, Office of Management & Budget ("OMB") (Appointee OMB Director Cerron Cade)

Others in Attendance:

Ms. Nina Figueroa, Health Policy Advisor, SBO, DHR
Mr. Aaron Schrader, SBO, DHR
Ms. Heather Johnson, Controller, DHR
Ms. Cherie Dodge-Biron, DHR
Ms. Gabby Costagliola, Willis Towers Watson ("WTW")
Mr. Chris Giovannello, WTW
Ms. Jaclyn Iglesias, WTW
Mr. Brian Stitzel, WTW
Mr. Nathan Roby, DOF
Ms. Wendy Beck, Highmark Delaware
Ms. Lisa Mantegna, Highmark Delaware
Mr. Matthew Rosen, OST
Ms. Christina Bryan, Delaware Healthcare Association
Ms. Julie Caynor, Aetna
Mr. Walter Mateja, Merative
Ms. Charlene Hrivnak, CVS Health
Ms. Sara Dunlevy, CVS Health
Ms. Marykate McLaughlin, Barnes & Thornburg Law
Ms. Paula Roy, Roy & Associates
Ms. Quinn Pearl, Recuro Health
Mr. Art Jenkins, DOL
Ms. Carole Mick, SBO, DHR - Recorder, State Employee Benefits Committee and Subcommittees

CALLED TO ORDER – DEPUTY DIRECTOR HINKLE, SBO
Deputy Director Hinkle called the meeting to order at 10:00 a.m.

APPROVAL OF MINUTES – DEPUTY DIRECTOR HINKLE, SBO
A MOTION was made by Mr. Costantino and seconded by Ms. Schock to approve the minutes from the Combined Subcommittee meeting on July 21st, 2022.

DIRECTOR'S REPORT – DEPUTY DIRECTOR HINKLE, SBO
Deputy Director Hinkle provided the Subcommittee with an overview of the Medicare Advantage (MA) sessions that were held in early August. These sessions included representation from Highmark, SBO, Office of Pensions, CVS Caremark (SilverScript), and the Delaware Medicare Assistance Bureau (DMAB).

The MA sessions consisted of 18 separate sessions over 6 days with 2 days in each county. Over 1200 pensioners attended these sessions while Highmark and CVS SilverScript conducted presentations at these education sessions.

Pensioners expressed concerns regarding out-of-network providers and the prior authorization process. SBO has updated the frequently asked question (FAQs) document that is publicly posted to answer these pensioner concerns. Director Rentz will provide the SEBC with an update to the MA Implementation and address State Representative Kowalko's op-ed in the news.

There are currently no updates to any pending legislative bills, and many are still awaiting the Governor's signature.

FINANCIALS – MR. CHRIS GIOVANNELLO, WTW
FY22 Qtr 4 Financial Reporting
The FY22 report compares the data from FY21 with gross claims up 3.3% from FY21. Total program costs had an increase of 0.4% driven by improvements to the new pharmacy program. Premium contributions had an increase of 0.1%. Total cost PEPY was down 0.5% and Total cost PMPY was up 0.2% for the year.

Total program costs came in 3.2% under budget. Net income came with a deficit of $52.6M compared to the budgeted deficit of $77.8M. The loss ratio was 108% for active plan members, 135% for non-Medicare retirees, and 84% for Medicare retirees.

Key observations for FY22 showed a slight drop in screening rates for colon cancer, breast cancer, cervical cancer, and cholesterol. Osteoarthritis rates increased 2%. Inpatient hospital admittance decreased 5% with an increase of 2.6% in length of stay. There was a 5.1% increase in cost per admit and a 5.6% increase in ER visits. Prescriptions showed a 6.8% increase in cost and 0.5% increase in utilization. Specialty medications contribute to 52% of pharmacy spend with an 8.1% decrease in utilization which is countered by a 22.1% increase in cost.

FY23 GHIP Budget
The balance forward for FY23 is $157M with premium contributions projected to be $866M. Other revenues show a slight reduction in EGWP rebates from previous projections for FY23. Total other revenues are projected to be around $179M. Total operating revenues are projected to be slightly over $1B.

Claim expenses are projected around $1B and total other expenses are estimated around $42M. Total operating expenses are estimated to be over $1.1B with a net deficit of $66M. The fund equity balance is projected to drop to $90M before reserves, and after factoring in the reserves, the GHIP is projected to have a deficit of $1.6M.

Ms. Anderson asked for clarification regarding the deficit under other revenues for the EGWP. Mr. Giovannello stated that this subsidy payment has been negative since 2021 and this subsidy is determined by the health of the members that are covered.

FY23/24 Budget Projections

GHIP long-term projections are updated based on experience through June 2022. The final FY22 ending balance is $71.9M which includes an additional $3.2M in COVID-19 reimbursement funds, $3.3M in favorable claims experience, and $3.5M in additional EGWP revenue payments. The FY23 starting balance reflects the additional $10M carried from FY22 with a starting balance of $8.8M. FY23 is projected to have $10.7M in higher claims and $9.6M less in revenues compared to the prior projection. The FY24 projected deficit has increased from $79.1M to $113.5M.

Ms. Anderson asked about the projected deficit from FY23 being carried over to FY24 having different balances. Mr. Giovannello stated that is due to the change in reserves which is not reflected in this chart.

Mr. Giovannello showed a more in-depth breakdown of the long-term healthcare projections through FY27 assuming no additional program or legislative changes impact the GHIP.

The projected FY24 $113.5M deficit is being driven by the GHIP surplus being depleted by FY23, an increase in healthcare trends, the lost Medicfill subsidy, and the reduction in anticipated revenues. Favorable experience projected for FY24 includes operating expenses at 2.4% growth over FY23 and other revenues projected at $28.8M driven by the improved pharmacy contract, but is offset by a $33M reduction in premium revenue due to the reduced Medicfill subsidy.

A 14.3% rate increase effective 07/01/2023 is needed to solve for the $113.5M FY24 deficit. To smooth this rate action would require a 9.8% annual rate increase in FY24, FY25, and FY26 to solve for the FY26 deficit.

Ms. Anderson asked if the numbers presented today included the removal of the Medicare retirees from the claims experience with the move to the MA Plan. Mr. Giovannello confirmed that is correct.

Mr. Oberle asked for a better definition of provider consolidation as a cost driver. Mr. Giovannello stated that due to the pandemic many providers have been bought out by other providers which will limit competition and will have a negative impact on the healthcare trend.

Mr. Giovannello reviewed the impact to premiums with a 14.3% rate increase (ranging from $4.32 – $42.40 per month) and a 9.8% increase (ranging from $2.96 – $29.06 per month) with an effective date of 07/01/2023.

Mr. Oberle asked if WTW has assessed if all employees use preferred vendors, how would this impact the GHIP. Mr. Giovannello stated that the next topic of preferred site of care utilization assesses how to steer employees to preferred vendors and how this will impact the GHIP.

PREFERRED SITE OF CARE UTILIZATION AND OPPORTUNITIES – Ms. Jaclyn Iglesias, WTW

Ms. Iglesias reviewed reporting on current GHIP utilization of preferred sites of care within the HMO & PPO plans. Current site of care copay differentials are in place for basic imaging, high-tech imaging, outpatient lab, emergency/urgent care, and in-network telemedicine services. The following are available to support plan participants in choosing the most appropriate sites of care: lists of preferred sites of care and "Choosing the Right Care" decision support which can be found on the SBO website, and medical carriers are trained to direct members to preferred sites of care.

Ms. Iglesias provided a deep dive review of utilization by site of care for telemedicine and office visits, emergency/urgent care visits for non-emergent/primary care treatable conditions, high-tech imaging, basic imaging, and outpatient labs by GHIP participants from CY19 to CY21 . This review included an analysis of the potential GHIP cost avoidance if members had utilized preferred sites of care for all care incurred in a given calendar year. Ms. Iglesias acknowledged that this analysis reflected the upper limit of potential cost avoidance given that it would not be possible to completely steer all utilization away from non-preferred places of service, such as non-emergent care from the emergency room.

Mr. Snyder asked if the data for outpatient hospital-based labs includes testing that was done for members in the ER versus members going to the hospital just for lab work. Ms. Iglesias stated that the data for outpatient hospital labs only includes members going to the hospital just for lab work; in contrast, members who receive lab tests during an ER visit would be captured separately with "emergency room" as their place of service.

Ms. Iglesias discussed a breakdown of various copay changes from FY16 through FY21. Subcommittee members had asked at a previous meeting, what other states are doing regarding implementing site of care steerage copayments for various services. While some plan sponsors use variable copays to promote steerage away from the emergency room and towards urgent care and PCPs, using similar cost-share differentials for services such as labs and basic/high-tech radiology is less common.

Slide 13 includes a few observations on utilization of services with variable copays by site of care. Prior to COVID-19, GHIP experience would show a reduction in the utilization of non-preferred sites of care in the plan years coinciding with copay changes, but in years with no changes, utilization of non-preferred sites of care would revert to higher levels. With the pandemic playing a significant role in changing utilization patterns across virtually all types of care, it is necessary to establish a new baseline for GHIP experience with site of care utilization and continue to monitor to determine whether these behavior changes are sustainable. Utilization of all service types increased in 2021 relative to 2020, apart from visits to emergency room, urgent care, or primary care for non-emergent/primary care treatable conditions. High-tech imaging services were up overall in 2021, with a decrease in services performed in outpatient settings. Basic imaging services were up overall in 2021, with higher utilization at freestanding facilities (i.e., preferred site of care). Outpatient labs have increased at both hospitals and preferred labs, driven by COVID-19 testing. In summary, these shifts in utilization likely stem from the combined impact of the COVID-19 pandemic and changes in behavior driven by copay differentials. The greatest potential for GHIP savings from further site-of-care steerage is tied to shifting utilization from the ER to urgent care for non-emergent conditions.

Ms. Iglesias presented the results of modeling several illustrative options for copay changes for non-preferred sites of care for high-tech imaging services. Cost avoidance to the GHIP was modeled based on CY21 utilization and reflects the impact of increasing the non-preferred copay. The modeling does not reflect any change in utilization to a preferred site of care, but would expect some utilization to shift to freestanding facilities. The potential cost avoidance ranges from about $180,000 to $545,000 annually with an increase to the non-preferred copay. Potential hospital outpatient copays range from $100-$150 and the benchmark copay is $300. No copay changes were modeled for other types of services, due to prior feedback from the SEBC suggesting there was limited interest in pursuing (i.e., emergency room copay changes) or due to favorable increases in utilization (e.g., outpatient labs, due to increased COVID-19 testing; basic imaging at preferred sites of care only).

Mr. Oberle asked when an urgent care center is owned by a hospital group, how is that data reflected? Ms. Iglesias will follow-up with the Subcommittee regarding this question.

Ms. Iglesias reviewed recommended next steps, which include continuing to monitor emerging utilization and cost savings associated with copay differentials supporting site-of-care steerage adopted to date; discussing potential plan design changes to promote additional utilization of preferred sites of care; continued review Highmark and Aetna networks to evaluate member access to freestanding radiology centers by Delaware county, in terms of providers participating status and availability for appointments; and continued discussion of the timing and level of future rate action.

OTHER BUSINESS
No other business.

PUBLIC COMMENT

No public comment was provided.

ADJOURNMENT

A MOTION was made by Mr. Snyder and seconded by Ms. Anderson to adjourn the public session at 11:21 a.m. MOTION ADOPTED UNANIMOUSLY.

Respectfully submitted,

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Carole Mick, Executive Secretary, Statewide Benefits Office, Department of Human Resources
Recorder, State Employee Benefits Committee, and Subcommittees