MINUTES FROM THE COMBINED MEETING OF THE FINANCIAL and HEALTH POLICY & PLANNING SUBCOMMITTEES TO THE STATE EMPLOYEE BENEFITS COMMITTEE
October 20, 2022

The Financial Subcommittee and the Health Policy & Planning ("HP&P") Subcommittee to the State Employee Benefits Committee (the "Committee") met Thursday, October 20, 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:

Director Faith Rentz, Statewide Benefits Office ("SBO"), Department of Human Resources ("DHR") (Appointee of Secretary Claire DeMatteis), Chair
Mr. Steven Costantino, Director Health Care Reform, Dept. of Health and Social Services ("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)
Mr. Matthew Rosen, Senior Policy Advisor, Office of the State Treasurer (Appointee of The Honorable Colleen Davis, State Treasurer)
Mr. Robert Scoglietti, Deputy Controller General, Office of the Controller General ("OCG") (Appointee of Controller General Ruth Ann Jones)
Ms. Judy Anderson, Delaware State Education Association (Appointee of Mr. Taschner, Executive Director, DSEA)
Ms. Jeanette Hammon, Sr. Fiscal and Policy Analyst, Office of Management & Budget ("OMB") (Appointee OMB Director Cerron Cade)
The Honorable Colleen Davis, State Treasurer, Office of the State Treasurer ("OST")
Mr. Jeff Taschner, Executive Director, Delaware State Education Association ("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. Judi Schock, Deputy Principal Assistant, Office of Management & Budget ("OMB") (Appointee of OMB Director Cerron Cade)

Others in Attendance:

Ms. Leighann Hinkle, Deputy Director, SBO, DHR
Mr. Aaron Schrader, SBO, DHR
Ms. Mary Bradley, SBO, DHR
Ms. Heather Johnson, Controller, DHR
Mr. Chris Giovannello, WTW
Ms. Jaclyn Iglesias, WTW
Mr. Brian Stitzel, WTW
Ms. Kaitlin Primavera, WTW
Mr. Marc Gutstein, WTW
Mr. Varun Sivakumar, WTW
Mr. Jordan Seemans, Director of Policy, OST
Ms. Julie Caynor, Aetna
Mr. Walter Mateja, Merative
Ms. Sandy Hart, Merative
Ms. Charlene Hrivnak, CVS Health
Ms. Sara Dunlevy, CVS Health
Mr. Randall Bryniarski, CVS Health
Ms. Paula Roy, Roy Associates
Ms. Christina Crooks Bryan, DEHA
Ms. Helene Diskau, Pensioner
Ms. Anne Marie Higley, Pensioner
Ms. Barbara Philbin, Pensioner
Ms. Lynda Hastings, Pensioner
Ms. Nancy Colley, Pensioner
Ms. Rebecca Scarborough, Pensioner
Mr. Robert Clarkin, Pensioner
Mr. Stephen LePage, Pensioner

Mr. Tom Pledgie, Pensioner
Mr. Wayne Emsley, Ex. Director, DRSPA
Ms. Wendy Strauss, Pensioner
Ms. Carole Mick, SBO, DHR - Recorder, State Employee Benefits Committee and Subcommittee

CALLED TO ORDER – DIRECTOR RENTZ, SBO
Director Rentz called the meeting to order at 10:00 a.m.

APPROVAL OF MINUTES – DIRECTOR RENTZ, SBO
A MOTION was made by Mr. Costantino and seconded by Mr. Scoglietti to approve the minutes from the Combined Subcommittee meeting on September 15th, 2022.
MOTION APPROVED.

DIRECTOR'S REPORT – DIRECTOR RENTZ, SBO
The SEBC meeting is scheduled for Monday, October 24th, 2022 which will include updates to the Medicare Advantage implementation. A revised agenda for the SEBC meeting will be issued regarding updates to the Group Health Program Eligibility and Enrollment rules agenda item. The Health Policy & Planning Subcommittee meeting for this afternoon at 1:00 p.m. has been canceled.

There are no further legislative updates to report regarding several bills that may have an impact on the Group Health Insurance Program (GHIP). A motion was granted October 19th, 2022 by the Superior Court to stay the Medicare Advantage implementation for State of Delaware Medicare pensioners. The SEBC is currently evaluating appeal options.

FINANCIALS – MR. CHRIS GIOVANNELLO, WTW
August 2022 Fund Report
Premium contributions were below budget. August was a rebate month and commercial prescription drug rebates were at budget at $16.3M and Employer Group Waiver Plan (EGWP) rebates were below budget at $11.3M. Claims ran high at $8.8M over budget which brings total YTD claims for FY23 at $17.5M over budget.

Mr. Costantino asked if the increase was due to utilization or the cost of healthcare. Mr. Giovannello stated that the increase is likely from a combination of utilization and price. Utilization and the cost of healthcare has increased due to deferred or missed care and economic impact. A more in-depth discussion relating to utilization and the cost of healthcare will occur at future meetings.

August had a net income of $3.5M with a fund equity balance of $141M.

Jeanette Hammon joined the meeting.

Actuarial Analysis of Pre-65 Rates and Costs – Chris Giovannello, WTW
Active State of Delaware employees and pre-65 retirees are currently rated as one risk pool, having consistent budget rates and contributions for each population. The FY21 Q4 financial report shows active employees costing the GHIP $6,924 on a per member per year (PMPY) basis and pre-65 retirees costing $10,752 PMPY. Legislative change is not required to rate each population on their own experience.

Rating both populations in the same risk pool would require a 14.3% rate increase effective July 1st, 2023 to solve for the $113.5M FY24 deficit. Rating both populations separately based on their own experience would require a 10.5% rate increase for active employees and a 40.4% rate increase for pre-65 retirees. Pre-65 retirees would see a significant increase; however, there are available options for this population to mitigate the impact.

A rate increase of 14.3% spread over both populations (Actives and pre-65 retirees) would increase contributions by $51.84-$508.08 PEPY for FY24. Rating the populations separately, relative to the status quo rate increase of 14.3% would reduce the active employee contributions by $13.68-$133.44 PEPY. The pre-65 retiree population would have an increase in contributions of $94.56-$928.08 PEPY.

Mr. Oberle stated that he has no concerns over grouping these two populations in the same risk pool and that retirees may have difficulty with paying the significant rate increase if these populations are rated separately. Mr. Giovannello commented that by separating these two populations, it would allow for additional cost saving options for the pre-65 retirees to include premium tax credits for lower income members, the Affordable Care Act (ACA) Marketplace, and a Health Reimbursement Account (HRA).

Mr. Oberle addressed general concerns about the options for the pre-65 retirees and that more information is needed to make a decision on this population. Mr. Giovannello continued by stating that the 40.4% rate increase for pre-65 retirees would not be recommended without proper planning for this population. Mr. Oberle would prefer to spend more focus on the cost saving options such as preferred vendor usage for these populations.

Ms. Anderson asked how much the ACA premium tax credits would afford the pre-65 retiree population. Mr. Giovannello will provide futher analysis regarding this question. Ms. Anderson asked if there has been analysis on the average cost by age band to determine how the cost increases. Mr. Giovannello stated that healthcare costs do increase as the population ages and that the marketplace does have a 3:1 ratio on rate restrictions. This means that no member can pay more than 3 times the premium rate as any other member. Mr. Oberle commented that the marketplace has a reinsurance program (1332 Waiver) which lowers premiums.

Ms. Anderson asked if there are any rate restrictions for privately insured plans. Mr. Giovannello stated that for organizations that are self-funded, which the State of Delaware is, then there are no rate restrictions.

Plan Design Alternatives

Plan & Contribution Benchmarking – Brian Stitzel, WTW

Mr. Stitzel reviewed the data from the WTW 2022 Healthcare Financial Benchmarks Survey. This survey reviewed over 965 companies and 61 government, public sector, and education companies' healthcare programs to analyze the cost efficiency, employee cost sharing, account fund and incentives, and plan design.

The total enrollment by plan type and age breakdown was reviewed between the benchmark Public Sector organizations and the State of Delaware. A notable difference between these groups is that the State does not offer a Health Savings Account (HSA).

Mr. Stitzel reviewed the total cost and contributions between these 2 groups and noted that the State's plan provides a higher level of payment to members when care is provided, and the State's plan members pay less in upfront premium costs. House Bill 81 prevents the SEBC from raising the premium percentage that plan members pay, however, the SEBC can analyze ways to reduce the cost payment for plan members.

Program observations note that the State's actuarial value is 5% higher than the Public Sector with the State at 96% and the Public Sector at 91%. The State's plans are higher in value with very little difference in value between plans. The SEBC should consider lowering the value of each plan option to align with benchmarks and encourage better engagement in healthcare.

Many Public Sector organizations charge a higher percentage of premium cost for dependents enrolled in a plan members healthcare plan. The State uniformly charges the same percentage for both the employee and dependents.

Ms. Anderson asked if the benchmark percentages on Slide 12 included all employers or just the Public Sector employers. Mr. Stitzel stated that those percentages are for all employers included in the survey, however, this information can be substituted to reflect Public Sector organizations only.

Mr. Stitzel reviewed the specific plan provisions for all four plans that the State currently offers. This data shows minimal spread in actuarial value among the plans and 85% of plan members are enrolled in a $0 deductible plan. The State can modify plan designs without legislative change.

Ms. Anderson asked if there is any information on the plans that provides feedback regarding members making wiser choices or if they are deferring care. Mr. Stitzel stated that many studies have been done based on income level and deferred or avoiding care. These plans can be set at a level where lower-income members can still receive affordable care in an appropriate setting. Ms. Anderson raised concerns over lower income members losing first dollar coverage without additional support. Mr. Stitzel stated that there will still be options for the lower income members since employee premium rates are capped.

Mr. Costantino asked if a survey has been done across public payers regarding lowering the bill for healthcare costs. Mr. Stitzel stated that lowering the cost of the bill is being addressed and will be discussed later. Modifying the design structure of these plans will assist will lowering the bill for the State but driving members to lower costing facilities. Subcommittee members and WTW continued a discussion regarding modifying plan designs and lowering the cost of healthcare in Delaware.

Treasurer Davis asked how the SEBC can control costs when it comes to various healthcare facilities and commented that by implementing a plan with an HSA might entice new people into the workforce. Mr. Stitzel stated that HSAs are more common in the younger workforce. The costs that are paid to these providers are reimbursement rates that have been negotiated with the carrier and providers. Senate Bill 120 addressed capping growth reimbursement rates.

Subcommittee members had a discussion on what other states are doing about reference based pricing and direct contracting. The WTW team will analyze data from other states and provide feedback.

Mr. Stitzel reviewed a potential option which includes adding a deductible to plans for FY24 with estimated savings of $6.7M to $24.4M depending on the amount of the deductible.

Mr. Stitzel reviewed 2023 premium equivalents with design changes based on a 5% reduction in plan value with an estimated total savings of $37M.

Ms. Anderson commented that the management of these plans is multifaceted, and more analysis is needed on the cost of healthcare such as reference-based pricing or the costs on the Delaware Healthcare Marketplace.

PrudentRx – Jaclyn Iglesias, WTW
Ms. Iglesias reviewed the independent third-party PrudentRx specialty copay card program that is partnered with CVS Health.

The Subcommittee had previous discussions related to drug programs such as PrudentRx and raised concerns over the scrutiny that these programs face by leveraging drug manufacturers assistance for certain specialty medications to offset costs. PrudentRx, however, has a different program design and would not be subject to the same scrutiny. PrudentRx does lean on drug manufacturers assistance, so sustainability of this program will have to be considered.

This program would apply to all specialty medications on the CVS Caremark specialty drug list and would only be applicable to members on the Commercial plan. Members currently taking specialty medications would be contacted by PrudentRx to enroll in their program. Enrollment in this program would allow for a $0 out-of-pocket cost for all specialty medications. Copay card assistance by the drug manufacturer would offset the plan sponsor's share of the specialty drug cost and currently 96% of specialty drugs have copay assistance.

The PrudentRx program would require significant member engagement and members who choose not to participate would be subject to a 30% coinsurance on specialty medications. HIV and fertility medications could be excluded from PrudentRx, and these medications would be subject to the State's current copay-based or coinsurance plan design. The PrudentRx program would no longer allow for the "grace fill" option for plan members for all specialty medications.

All specialty medications on the CVS exclusive specialty list would be included and GHIP members with the following common conditions of atopic dermatitis, autoimmune, multiple sclerosis, and oncology being affected the most.

CVS estimated net savings with this program to be $9.1M including HIV and fertility medications and $8.5M excluding these 2 medications. These estimates may vary depending on drug utilization and spend. PrudentRx requires no upfront administrative fees; however, the savings will be shared between the plan sponsor and PrudentRx.

Next steps include inviting CVS Health to present further details and address questions from Subcommittee members at the November 2022 meeting.

Mr. Scoglietti asked why HIV and fertility medications be separate from other specialty medications. Ms. Iglesias stated that this is due to the program design and the State's current plan allows for these medications to be on the open network. Several Subcommittee members expressed interest in further analysis of PrudentRx.

Site of Care Steerage – Jaclyn Iglesias, WTW & Aaron Schrader, SBO

Ms. Iglesias reviewed options and requests on the site of care plan design following Subcommittee members interest in the following areas: increased copays, enhanced member education, and information on the number of care facilities in Delaware that are independent versus owned by a hospital system.

Ms. Iglesias reviewed various copay differentials based on type of service that become effective July 1, 2019 and communications were sent to educate members on appropriate sites of care. Recent communications to plan members are listed below:

- February-June 2021 - 45,000 flyers from Highmark and Aetna regarding telemedicine
- July 2021 - Email distribution to employees enrolled in a health plan with specific plan information
- Beginning November 2021 - 39,000 postcards from Highmark and Aetna on site of care steerage
- February 2022 – Benefits Bulletin sent to 38,000 benefit-eligible employees on navigating health care options and finding appropriate care
- July 2022 – Targeted emails sent to Highmark and Aetna members on plan information and choosing the right care
- August 2022 – Targeted email to plan members on online education sessions about the State's health plans
- September 2022 – SBO launched instructor led benefit courses to educate benefit eligible employees Human Resource Benefit Representatives

Highmark and Aetna have trained customer service teams and care management nurses to direct members to preferred sites of care. The SBO website contains a Choosing the Right Care section which assists with guiding members to the right care based on an individual's needs.

Mr. Schrader provided the Subcommittee with a presentation on the State's SBO website and highlighted the "Choosing the Right Care" page.

Director Rentz left the meeting.

Ms. Iglesias displayed recommendations on potential copay changes for categories of services with copay differentials for non-preferred sites of care and potential cost avoidance ranges for various types of services. A list of preferred and hospital-based facilities by type of services was shown to Subcommittee members.

Ms. Anderson asked about the volume of visitor usage on the SBO website. Mr. Schrader stated that the site has approximately 45K views since 2019 on the "Choosing the Right Care" page. Site viewership does show an increase following communications to plan members.

The Subcommittee's will reconvene in November to review the SurgeryPlus carve-out opportunities beyond

bariatric surgery and other emerging treatments.

OTHER BUSINESS
No other business.

PUBLIC COMMENT
Several state pensioners addressed concerns over the Medicare Advantage plan and better communication distribution to plan members. Additional concerns included providing more information on addressing the GHIP deficit and more focus on lowering the cost within the healthcare plans.

ADJOURNMENT
A MOTION was made by Mr. Costantino and seconded by Mr. Scoglietti to adjourn the public session at 12:12 p.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