

**MINUTES FROM THE COMBINED MEETING OF THE FINANCIAL and HEALTH POLICY & PLANNING SUBCOMMITTEES
TO THE STATE EMPLOYEE BENEFITS COMMITTEE
November 17, 2022**

The Financial Subcommittee and the Health Policy & Planning (“HP&P”) Subcommittee to the State Employee Benefits Committee (the “Committee”) met Thursday, November 17, 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. 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)
Ms. Judi Schock, Deputy Principal Assistant, Office of Management & Budget (“OMB”) (Appointee of OMB Director Cerron Cade)

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)
Mr. Matthew Rosen, Senior Policy Advisor, Office of the State Treasurer “OST” (Appointee of The Honorable Colleen Davis, State Treasurer)

Others in Attendance:

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| Ms. Leighann Hinkle, Deputy Director, SBO, DHR | Ms. Katherine Impellizzeri, Aetna |
| Ms. Samantha Mountz, SBO, DHR | Mr. Walter Mateja, Merative |
| Ms. Mary Bradley, SBO, DHR | Ms. Sandy Hart, Merative |
| Ms. Nina Figueroa, Health Policy Advisor, SBO, DHR | Ms. Charlene Hrivnak, CVS Health |
| Ms. Heather Johnson, Controller, DHR | Ms. Jeremy Menard, CVS Health |
| Ms. Cherie Dodge Biron, Director, Financial & Administrative Services, DHR | Ms. Sara Dunlevy, CVS Health |
| Ms. Courtney Stewart, Deputy Director, OMB | Mr. Randall Bryniarski, CVS Health |
| Ms. Liza Davis, Deputy State Treasurer, OST | Mr. Randy Garcia, CVS Health |
| Mr. Chris Giovannello, WTW | Mr. Jack Gierat, CVS Health |
| Ms. Gabby Costagliola, WTW | Ms. Wendy Beck, Highmark |
| Ms. Jaclyn Iglesias, WTW | Ms. Lisa Mantegna, Highmark |
| Mr. Brian Stitzel, WTW | Ms. Lizzie Lewis, 302 Strategies |
| Mr. Varun Sivakumar, WTW | Ms. Barbara Philbin, Pensioner |
| Ms. Julie Caynor, Aetna | Ms. Elisa Diller, Pensioner |
| Ms. Brooke Nedza, Aetna | Ms. Mary Graham, Pensioner |

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Ms. Nancy Schuman, Pensioner
Ms. Nicki Alteri, Pensioner
Mr. Robert Clarkin, Pensioner
Mr. Stephen LePage, Pensioner

Mr. Tom Pledgie, Pensioner
Ms. Louisa Phillips
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 Ms. Hammon and seconded by Mr. Scoglietti to approve the minutes from the Combined Subcommittee meeting on October 20th, 2022.

MOTION APPROVED.

Ms. Schock is abstaining from approval of the minutes.

Mr. Costantino arrived to the meeting.

DIRECTOR'S REPORT – DIRECTOR RENTZ, SBO

Legislature Updates

Senate Bill (SB) 309 mandates insurers to provide chiropractic care has been signed by the Governor with an effective date of January 1st, 2024. Fiscal impact to the GHIP is estimated around \$71K annually.

SB 316 mandates insurers to cap diabetic supplies, strips, and meters at \$35 per member per month. A Senate amendment was included with this bill to address the administrative concerns surrounding compliance. This bill will be effective April 2023. Fiscal impact to the GHIP is estimated at \$15K annually.

SB 267 prohibits fully insured health plans from increasing cost sharing burdens on members by refusing to count third-party copay assistance for medications towards members' cost sharing contributions. This bill was recently signed by the Governor and does not apply to the GHIP.

FY24 Planning

SBO has resumed the benefits modernization initiative and the employee survey is currently being developed for distribution to employees in early February 2023. Results from the survey are anticipated by the end of the first quarter of 2023.

Subcommittee members were provided the CY23 meeting dates with separate meeting times and dates for the Financial and Health Policy & Planning Subcommittees. Subcommittee meetings have been moved from Thursday to the Monday before the SEBC meeting. The new meeting dates will provide SBO and WTW a full week to gather and compile feedback from Subcommittee members before the full Committee meeting. Meeting times will remain the same and any combined meeting will occur in the morning timeslot.

SEBC Items

The Subcommittee was provided a review of Agenda items for Monday's SEBC meeting.

Mr. Costantino stated that the Centers of Medicare & Medicaid Services (CMS) commented that they will provide the States a 60-day advance notice prior to the end of the PHE. An extension is likely to occur since no notification was distributed to the States about ending the PHE.

Mr. Oberle asked about receiving meeting documents sooner than the current distribution timeline, so Subcommittee members have more time to review the materials. Director Rentz stated that they will work on trying to get the materials out sooner but the timeframe for obtaining financial information from vendors is very tight.

FINANCIALS – MR. CHRIS GIOVANNELLO, WTWSeptember 2022 Fund Report

Premium contributions return to expected budget at \$76M. Claims continue to run high at \$10.7M above budget. The Fund is \$28.2M over budget for Q1. A deeper dive into the high claims experience will be addressed at a future meeting, however, utilization and cost are major factors.

Mr. Costantino asked how much do prices play in high claims and how much the cost is impacting the Fund. Mr. Giovannello will include this with the deeper dive into what is driving high claims experience.

Net income for September showed a deficit of \$17.5M with a fund equity balance of \$123.5M and a variance to budget deficit of \$35.5M.

Mr. Scoglietti asked if the premium numbers jumped up due to the school start up for the year and requested a review of the past few years to determine if there is a pattern. Mr. Giovannello stated that premium increases implemented in July did not hit the fund right away due to a timing issue and actual premiums are now aligned with the budgeted amounts. WTW will continue to evaluate when premiums come in to better assess the budget for future years with rate increases.

Ms. Anderson asked if WTW tracks new enrollments by month when making projections. Mr. Giovannello commented that the budget assumes 1% growth annually and enrollments are tracked quarterly.

FY23 Q1 Financial Reporting

The FY23 Q1 plan cost analysis determined that the GHIP is trending high with gross claims up 19.7% from FY22 Q1. A review of FY23 Actuals to FY23 Revised Budget showed a variance of 1.5% over budget and key observations for total GHIP population were noted.

FY24 GHIP Projections

Mr. Giovannello summarized long-term health care cost projections with an estimated deficit of \$143.5M for FY24 and displayed premium rate increase scenarios. A 17.2% rate increase effective July 1st, 2023 for actives and pre-65 retirees would be required to solve the projected FY24 deficit. To smooth the rate over 3 years would require a 9.8% annual rate increase per year in FY24, FY25, and FY26.

Mr. Scoglietti asked what trend was being used to project the FY24 numbers. Mr. Giovannello stated that they are continuing to use a 5% medical and 8% pharmacy trend (Medicfill plans 3% medical and 8% pharmacy). Trend rates will continue to rise with the growing cost of healthcare and will be reviewed again prior to finalizing any potential rate action for FY24.

FY24 PLANNING – JACLYN IGLESIAS, WTWFY24 Planning Topics

Subcommittee members reviewed additional information on FY24 planning topics from the October meeting to be discussed with the SEBC at the November 21st, 2022 meeting. The SEBC will provide feedback to the Subcommittees on areas of focus for FY24 planning.

WTW will conduct additional analysis of the availability of ACA tax credits to support lower income pre-65 retirees who purchase medical coverage on the ACA marketplace pending SEBC feedback on how this topic is prioritized.

Mr. Scoglietti asked if WTW could determine whether these tax credits are refundable or non-refundable. Ms. Iglesias noted this for analysis.

WTW displayed information on what other states are doing regarding hospital reference-based pricing and direct contracting.

Mr. Costantino asked about Montana potentially looking at an alternative approach other than reference-based

pricing. Ms. Iglesias stated that Montana has awarded a new TPA to continue administering the Montana State Employee Benefit Plan starting in 2023. The TPA has been tasked with maintaining the State's current reference-based pricing with additional flexibility to allow the TPA to use value-based alternative payment models.

Mr. Oberle asked about balance billing in these other states that use referenced-based pricing. Ms. Iglesias stated that in states with contractual agreements, there would be no balance billing since these contracts were pre-negotiated. With respect to Oregon, the state that legislated reference-based pricing, there would be limited opportunity to balance bill since the legislation establishes a cap for in-network and out-of-network services. Discussion continued on TPAs and balance billing.

A plan design overview of the PrudentRx (Non-Medicare medical plan options only) program was displayed reflecting what the State's prescription drug plan would look like under PrudentRx.

Mr. Oberle asked if a formulary comparison has been done with PrudentRx. Mr. Menard, CVS Health, stated that the PrudentRx program would not change the current formulary structure but rather works with the current formulary to run prescriptions through the savings program.

The Subcommittees discussed site of care steorage options surrounding post-authorization for emergency room use and a plan design that varies based on place and type of service.

The SurgeryPlus carve-out opportunities beyond bariatric surgery and other emerging treatments was not discussed at the October meeting, however, these items will be addressed at the November 21st, 2022 SEBC meeting. The SEBC will provide direction on these topics to the Subcommittees for the December meeting.

CVS – PrudentRx Program – Charlene Hrivnak & Jeremy Menard, CVS Health

Mr. Menard provided the Subcommittee with a detailed analysis of the PrudentRx program. PrudentRx was designed to be member friendly and allows members to fill specialty medications with a \$0 out-of-pocket cost. The PrudentRx program provides significant member outreach to engage members in the program.

Member letters will be mailed out 35 days prior to implementation and 5 days later. a telephonic outreach campaign will be started. The member outreach prior to implementation has an 85% success in member enrollment pre-launch. Member outreach will continue after program implementation. 99.9% of members will be enrolled in the program at first prescription fill. The PrudentRx program has saved members more than \$40M as of June 2022 since the program started.

The coinsurance is set at 30% for members who opt-out of the PrudentRx program. There are some specialty classes that are excluded under the PrudentRx program such as HIV and infertility medications. These classes will not be impacted by the 30% coinsurance and will continue to operate as they do today with the current plan design, with the exception that new users of infertility medications would no longer have the option of one grace fill at a retail pharmacy prior to being required to use the CVS Specialty Pharmacy.

Mr. Costantino asked about the 30% coinsurance. Mr. Menard stated that the 30% coinsurance is a mechanism that is used to pass through drug manufacturers' assistance to fund the copay.

The PrudentRx program has a 92% satisfaction score, and existing members are automatically reenrolled every year in the program. PrudentRx monitors copay assistance and helps members with renewal.

Mr. Scoglietti asked if there is a reenrollment period. Mr. Menard stated that members will not need to reenroll in PrudentRx, but some manufacturers require reenrollment; however, PrudentRx will reenroll members on their behalf to the greatest extent possible (unless a drug manufacturer requires a member to reenroll directly, then PrudentRx would walk the member through how to do that). Mr. Oberle asked if the \$40M savings comes from the drug manufacturer. Mr. Menard stated that the \$40M savings (achieved for CVS's book of business across all plan sponsors that have adopted PrudentRx) is what members would have paid for their prescription copay

without PrudentRx and the savings does come from the drug manufacturer.

Mr. Costantino asked how rebates are handled. Mr. Menard stated that rebates would not be impacted by this program. This program would only impact what members would pay for a drug and total drug prices would remain the same.

Director Rentz asked if there is a risk to other funding sources. Mr. Menard commented that this program does not target foundational or needs-based assistance, rather it targets assistance programs that exist for all members enrolled in the program. PrudentRx will not affect other funding sources established by drug manufacturers for those types of assistance programs.

Mr. Oberle asked who absorbs the cost of the \$40M savings. Mr. Menard disclosed that a majority of the \$40M savings will be absorbed by drug manufacturer assistance programs. Mr. Oberle stated that drug manufacturers have a surplus that can be utilized to offset specialty drug copays. Mr. Menard confirmed this.

Ms. Iglesias stated that the projected aggregate net savings for the State of Delaware's GHIP on a 12-month basis is estimated at \$6.6M and total annual savings for non-Medicare plan participants is \$357K.

Mr. Costantino asked how many states and municipalities are using the PrudentRx program, and how does those organizations' actual savings realized by the program compare to the original savings projections. There are currently several state contracts and several municipalities.

Director Rentz mentioned reference checks that the SBO conducted in early 2022 with California and Kentucky on their experience with PrudentRx; at that time, Kentucky had recently implemented PrudentRx and Director Rentz had asked for the opportunity to reconnect with Kentucky at a later point to understand how actual savings was playing out compared to expected savings under the program. Director Rentz will follow up with Kentucky on this.

Mr. Scoglietti asked if members who are enrolled in the PrudentRx program will receive benefits, if there is no manufacturer assistance for a specialty drug. Mr. Menard stated that 96% of specialty drugs have a manufacturers assistance program. For specialty drugs that do not have a manufacturer assistance program, members will still have a \$0 copay with the PrudentRx program.

OTHER BUSINESS

No other business.

PUBLIC COMMENT

Tom Pledge, a state retiree, addressed concerns over the agenda for Monday's SEBC meeting not including topics on retiree's involvement in future healthcare planning and the consolidation of the meeting minute contents as it relates to public comments.

ADJOURNMENT

A MOTION was made by Mr. Scoglietti and seconded by Mr. Costantino to adjourn the meeting at 11:57 a.m. MOTION ADOPTED UNANIMOUSLY.

Respectfully submitted,

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