

**MINUTES FROM THE MEETING OF THE FINANCIAL SUBCOMMITTEE
TO THE STATE EMPLOYEE BENEFITS COMMITTEE
February 13, 2023**

The Financial Subcommittee to the State Employee Benefits Committee (the “Committee”) met Monday, February 13, 2023 in a meeting. The meeting was held virtually and in-person at 97 Commerce Way, Suite 201, Dover, DE 19904.

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. 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. Laura Rowe, 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)
Mr. Matthew Rosen, Senior Policy Advisor, Office of the State Treasurer “OST” (Appointee of The Honorable Colleen Davis, State Treasurer)
Ms. Jeanette Hammon, Sr. Fiscal and Policy Analyst, Office of Management & Budget (“OMB”) (Appointee OMB Director Cerron Cade)
Mr. Steven Costantino, Director Health Care Reform, Dept. of Health and Social Services (“DHSS”) (Appointee of Secretary Molly Magarik)

Others in Attendance:

Deputy Director Leighann Hinkle, SBO, DHR
Ms. Nina Figueroa, Health Policy Advisor, SBO, DHR
Ms. Samantha Mountz, SBO, DHR
Ms. Mary Bradley, SBO, DHR
Ms. Marie Hartigan, SBO, DHR
Mr. Aaron Schrader, SBO, DHR
Ms. Cherie Dodge Biron, Director, Financial & Administrative Services, DHR
Ms. Jaclyn Iglesias, WTW
Mr. Brian Stitzel, WTW
Mr. Varun Sivakumar, WTW
Ms. Judy Anderson, DSEA
Ms. Katherine Impellizzeri, Aetna

Ms. Leah White, Aetna
Ms. Julie Caynor, Aetna
Mr. Walter Mateja, Merative
Ms. Christina Bryan, DHA
Ms. Melissa Marlin, DOF
Ms. Aimee Holthaus, DNREC
Ms. Kylie Taylor, OMB
Mr. Robert Clarkin, Pensioner
Mr. Steve LePage, Pensioner
Mr. Tom Pledge, Pensioner
Ms. Barbara Philbin, Pensioner
Ms. Carole Mick, SBO, DHR - Recorder, State Employee Benefits Committee and Subcommittee

CALLED TO ORDER – DIRECTOR FAITH RENTZ, SBO

Director Rentz called the meeting to order at 10:01 a.m.

APPROVAL OF MINUTES – DIRECTOR FAITH RENTZ, SBO

A MOTION was made by Mr. Scoglietti and seconded by Mr. Snyder to approve the minutes from the Financial Subcommittee meeting on January 17, 2023.

Abstentions: Laure Rowe.

MOTION ADOPTED.

DIRECTOR'S REPORT – DIRECTOR FAITH RENTZ, SBOCOVID-19 Update

The COVID-19 national and public health emergencies (PHE) is intended to end on May 11, 2023 and impacts to the GHIP will be reviewed at today's meeting. Additional discussion will need to occur with the SEBC on the continuation of the COVID-19 enhancements and a previous vote by the SEBC approved coverage of enhanced services for no more than 30 days following the end of the COVID-19 PHE.

Benefits Modernization Survey

The status of the benefits modernization survey response rate is 13.4% as of 8:00 a.m. on February 13, 2023. WTW will send one final email reminder on February 15, 2023 to employees who have not yet completed the survey. Results will be presented in the Summer. The survey's intention is to gauge interest from the workforce on their total rewards preferences and includes areas such as expanded leave and family friendly benefits, mental health and wellbeing support including diversity, equity, and inclusion in the benefit offerings.

Legislative Updates

SA 1 to SB 29 was signed by the Governor on January 26, 2023 and SBO is still waiting for appointments for the two new SEBC members and the Retiree Benefits Healthcare Advisory (RBHA) Subcommittee. When appointments are known, it will be posted on the SEBC Website.

Judge Scott has issued the final order on February 8, 2023 in the case of RISE Delaware vs. SEBC/SBO and no further order is necessary to close the case with the Superior Court.

Hinge Health and SurgeryPlus Bariatric Implementation

The Hinge Health program launched on January 1, 2023 and communication have been sent to all Aetna and Highmark non-Medicare members. Hinge Health has reported strong engagement and participation details will be available during CY23 Q2.

Bariatric surgery exclusively through SurgeryPlus will be effective as of July 1, 2023. SurgeryPlus benefits have been available to State active and non-Medicare GHIP members since July 1, 2019 as voluntary benefit and is not available to GHIP members who have primary coverage under another plan and there is no coordination of benefits. Communications will begin later this month and will be included in the 2023 Open Enrollment materials. Highmark and Aetna members who have initiated the process for bariatric surgery will be contacted directly through their health plan's care management team to assure that they will not be adversely impacted. The SEBC's approval to provide bariatric surgery exclusively through SurgeryPlus required the SBO to assure that secondary GHIP members would continue to have access through the Group Health Insurance Plan. SBO is developing an official appeal process for bariatric surgery that gives members additional appeal levels to the SBO and SEBC as they exist under the health plans which will be completed no later than May 1, 2023.

SEBC Updates

The SEBC will meet on February 20 2023 to review the latest GHIP financials, projections, and recommendations related to plan design and program changes for FY24. A vote by the SEBC on rate, plan, and program changes for an effective date of July 1, 2023 is to occur no later than March 20, 2023.

FINANCIALS – MR. BRIAN STITZEL, WTWDecember Fund Report

Premium Contributions are below budget at around \$74.9M with around a \$1.1M variance. Medicare Part D coverage discount arrived a month early at \$8.3M. Under other revenues we received almost \$862K mostly from a credit memo from CVS. Total other revenues are about \$9M above budget. Claims continue to run high of about \$89M with a variance of \$4.5M. Other expenses came around budget at \$4.1M. Net income totaled a deficit of \$6.8M with a surplus variance of \$3.3M compared to budget. Year-to-date (YTD) budget is running a deficit of approximately \$35M.

Mr. Scoglietti asked for an explanation of the coverage gap discount. Mr. Stitzel stated that this revenue comes from the prescription drug EGWP plan, and the coverage gap discount is a reimbursement to cover a portion of the total cost and is received quarterly.

FY23 Q2 Financial Reporting

A comparison of FY23 YTD to FY22 YTD was reviewed and indicated that gross claims are up 15.8%. Total program cost for prescription drugs is up 1.8% due to trend being offset by increased rebates to both commercial and EGWP plans. Total premium contributions are up 7.5% which included an 8.7% rate increase for FY23 but was offset by changes in enrollment. Total cost PMPY was 10.3%. Costs are behind budget; however, it is expected to reverse.

FY24 GHIP Projections

FY23 Q2 long-term health care cost updated projections estimate the FY23 deficit at 24.9M and the FY24 deficit at \$138.1M. The end of the PHE will occur during CY23 which will end federal funding for COVID-19 vaccines and oral antivirals with estimated costs to the GHIP of \$5.3M. Estimated deficits were displayed through FY27 without any potential rate actions. A 16.6% rate increase effective July 1, 2023 is required to solve the FY24 projected deficit of \$138.1M. Smoothing the rate over three-years to solve for a FY26 deficit will require a 9.5% rate increase in FY24, FY25, and FY26. Employee contributions were displayed for both potential rate increase options.

Mr. Scoglietti asked if the healthcare trend of 5% medical and 8% pharmacy is consistent through the three-year projection because may vary over this period. Mr. Stitzel commented that the trend is consistent through the three-year projection, but this will continue to be monitored and updated in future forecasts. A discussion continued on potentially changing the healthcare trend percentages and what the outcome would potentially look like.

Mr. Scoglietti asked for an exhibit on smoothing out the rate over a three-year period to 9.5% to see what the reserves look like. Mr. Stitzel stated that this can be provided.

UTILIZATION AND COST TREND REPORTING – MR. BRIAN STITZEL, WTW

Key trends for active employees and non-Medicare retirees on a paid basis indicate that utilization and unit cost have increased. Overall allowed PMPY trend rose 8.6% and was driven by increases to medical PMPY of 8.9% and pharmacy PMPY of 5.8%. Inpatient medical PMPY rose 10.9% and average length of stay for admissions increased 10.6% from CY21 to CY22. Inpatient hospital stay costs are being driven by length of stay rather than utilization or reimbursement rates.

Mr. Scoglietti asked if the inpatient length of stay could be an effect of COVID-19. Mr. Stitzel commented that a review from previous periods (FY19 and FY20) can be conducted to determine if COVID was a factor.

OTHER BUSINESS

No other business.

PUBLIC COMMENT

Christina Bryan, Delaware Healthcare Association, provided comment on hospital length of stay which is being tracked in Delaware and nationally. Hospitals across the nation are reporting an increase in patient activity due to deferred care during COVID-19. Delaware hospitals length of stay was 5.05 days in CY19 Q3 and increased to 6.59 days in CY21 Q3. Sicker patients lead to increased costs as they require more intensive treatments and higher drug costs. The COVID-19 pandemic has had a significant effect on length of stay in hospitals.

ADJOURNMENT

A MOTION was made by Mr. Scoglietti and seconded by Ms. Rowe to adjourn the public session at 10:45 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