



The State of Delaware

FY23 Q3 Long Term Projections

State Employee Benefits Combined Subcommittee Meeting

May 15, 2023

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May 2023 long-term projections

GHIP long term health care cost projections

May 2023 update

- The GHIP long-term projections have been updated based on experience through April 2023
- In addition to updated experience through April, the long-term projections now reflect the following:
 - CVS Market Check contract improvements for FY24 (\$9.4M cost decrease), FY25 (\$20.7M cost decrease), and FY26 (\$4.8M cost decrease)
- The table below reconciles the current projected deficits relative to the projections presented to the Financial Subcommittee in March:

Component (\$M)	Description	FY23	FY24
March 2023 Projected Surplus/(Deficit)		(\$28.3)	(\$61.7)
Change in balance forward	Reflects change in starting fund balance due to prior year updates, including change in reserves	\$0.0	(\$9.3)
Experience	Updated claims experience through April 2023	(\$6.8)	(\$10.2)
Headcount	Reflects change in premium contribution due to change in projected headcount	(\$2.9)	(\$3.6)
Updated Other Revenues	Includes revised EGWP payments, pharmacy rebates and participating group fees through May 2023	\$0.0	(\$1.8)
Rx Market Check	FY24 savings due to CVS pharmacy contract improvements	N/A	\$9.4
Subtotal	Total Changes	(\$9.7)	(\$15.5)
May 2023 Projected Surplus/(Deficit)		(\$38.0)	(\$77.2)

GHIP long term health care cost projections

May 2023 update – 9.4% rate increase for FY24+ for all groups

GHIP Costs (\$ millions) ¹	FY22	FY23	FY24	FY25	FY26	FY27
	Actual	Projected	Projected	Projected	Projected	Projected
Average Enrolled Members	130,141	131,138	132,450	133,775	135,113	136,464
GHIP Revenues						
Premium Contributions ²	\$839.7	\$903.3	\$912.3	\$1,008.0	\$1,018.1	\$1,028.2
<i>Increase rates 9.4% in FY24</i>			\$78.2			
Other Revenues ³	\$194.7	\$183.3	\$213.8	\$215.5	\$227.7	\$245.4
Total Operating Revenues	\$1,034.4	\$1,086.6	\$1,204.3	\$1,223.5	\$1,245.8	\$1,273.6
GHIP Expenses						
Operating Expenses ⁴	\$1,029.6	\$1,183.8	\$1,238.9	\$1,295.0	\$1,368.5	\$1,460.5
<i>% Change Per Member</i>	2.1%	14.1%	3.6%	3.5%	4.6%	5.7%
Adjusted Net Income	\$4.8	(\$97.2)	(\$34.6)	(\$71.5)	(\$122.7)	(\$186.9)
Balance Forward	\$152.3	\$157.2	\$60.0	\$25.4	(\$46.1)	(\$168.8)
Ending Balance	\$157.2	\$60.0	\$25.4	(\$46.1)	(\$168.8)	(\$355.7)
- Less Claims Liability ⁵	\$61.0	\$70.1	\$73.4	\$76.7	\$81.1	\$86.6
- Less Minimum Reserve ⁵	\$24.3	\$27.9	\$29.2	\$30.5	\$32.2	\$34.4
GHIP Surplus (After Reserves/Deposits)	\$71.9	(\$38.0)	(\$77.2)	(\$153.3)	(\$282.1)	(\$476.7)

- 9.6% rate increases required for FY25 and FY26 to solve for FY26 deficit
- Projections reflect all items voted on by SEBC as of April 24th, 2023 SEBC meeting and assume no additional program or legislative changes impacting GHIP spend; excludes potential impact of the Primary Care law (unknown if it will impact GHIP)
- Every 1% increase in healthcare trend (medical + Rx) will increase FY24 claims by \$12M

GHIP long term health care cost projections

FY24 Projections by Actives, Pre-65, and Medicare - 9.4% rate increase for FY24+ for all groups

GHIP Costs (\$ millions) ¹	FY24 Projection			
	Actives	Pre-65	Medicare	Total
Average Enrolled Members	91,967	10,866	29,617	132,450
GHIP Revenues				
Premium Contributions ²	\$656.3	\$94.8	\$161.2	\$912.3
<i>Increase rates 9.4% in FY24</i>	\$61.7	\$8.9	\$7.6	\$78.2
Other Revenues ³	\$70.1	\$14.9	\$128.9	\$213.8
Total Operating Revenues	\$788.1	\$118.6	\$297.7	\$1,204.3
GHIP Expenses				
Operating Expenses ⁴	\$818.7	\$149.4	\$270.8	\$1,238.9
Adjusted Net Income	(\$30.6)	(\$30.8)	\$26.9	(\$34.6)

See Appendix for detailed footnotes

- Because the GHIP is a self-funded healthcare program, premium equivalent rates are established to generate the necessary revenues to fund the State's benefit obligations
- Premium revenues are determined and funded in aggregate to offset total projected expenses for the GHIP
- Premium equivalents for the GHIP apply uniform rate action to all plans and populations, including Medicfill
 - Methodology allows non-Medicare plans to share in revenue items specifically attributable to the EGWP plan (e.g., direct subsidy, coverage gap discount and federal reinsurance payments); projected EGWP payments in FY24 are approximately \$70M
- **Premium equivalents/revenues therefore should only be used to measure underlying GHIP performance in aggregate, not by population**
 - Rating groups on their own experience will not impact the overall cost to the GHIP; however, it would ensure that contributions for plan participants (including Medicare retirees receiving less than 100% state share) are based on their group's own experience
 - Changes to rating methodology, including rating groups on their own experience, cannot be implemented before 7/1/2024

GHIP long term health care cost projections

May 2023 update – 9.4% rate increase for FY24+ for actives/pre-65 retirees; stays flat for Medicfill

GHIP Costs (\$ millions) ¹	FY22	FY23	FY24	FY25	FY26	FY27
	Actual	Projected	Projected	Projected	Projected	Projected
Average Enrolled Members	130,141	131,138	132,450	133,775	135,113	136,464
GHIP Revenues						
Premium Contributions ²	\$839.7	\$903.3	\$912.3	\$992.7	\$1,002.6	\$1,012.6
<i>Increase rates 9.4% in FY24</i>			\$70.6			
Other Revenues ³	\$194.7	\$183.3	\$213.8	\$215.5	\$227.7	\$245.4
Total Operating Revenues	\$1,034.4	\$1,086.6	\$1,196.7	\$1,208.2	\$1,230.3	\$1,258.0
GHIP Expenses						
Operating Expenses ⁴	\$1,029.6	\$1,183.8	\$1,238.9	\$1,295.0	\$1,368.5	\$1,460.5
<i>% Change Per Member</i>	2.1%	14.1%	3.6%	3.5%	4.6%	5.7%
Adjusted Net Income	\$4.8	(\$97.2)	(\$42.2)	(\$86.8)	(\$138.2)	(\$202.5)
Balance Forward	\$152.3	\$157.2	\$60.0	\$17.8	(\$69.0)	(\$207.2)
Ending Balance	\$157.2	\$60.0	\$17.8	(\$69.0)	(\$207.2)	(\$409.7)
- Less Claims Liability ⁵	\$61.0	\$70.1	\$73.4	\$76.7	\$81.1	\$86.6
- Less Minimum Reserve ⁵	\$24.3	\$27.9	\$29.2	\$30.5	\$32.2	\$34.4
GHIP Surplus (After Reserves/Deposits)	\$71.9	(\$38.0)	(\$84.8)	(\$176.2)	(\$320.5)	(\$530.7)

- 10.9% rate increases required for FY25 and FY26 to solve for FY26 deficit
- Projections reflect all items voted on by SEBC as of April 24th, 2023 SEBC meeting and assume no additional program or legislative changes impacting GHIP spend; excludes potential impact of the Primary Care law (unknown if it will impact GHIP)
- Every 1% increase in healthcare trend (medical + Rx) will increase FY24 claims by \$12M

GHIP long term health care cost projections

FY24 Projections by Actives, Pre-65, and Medicare - 9.4% rate increase for FY24+ for actives/pre-65 retirees; stays flat for Medicfill

GHIP Costs (\$ millions) ¹	FY24 Projection			
	Actives	Pre-65	Medicare	Total
Average Enrolled Members	91,967	10,866	29,617	132,450
GHIP Revenues				
Premium Contributions ²	\$656.3	\$94.8	\$161.2	\$912.3
<i>Increase rates 9.4% in FY24</i>	\$61.7	\$8.9	\$0.0	\$70.6
Other Revenues ³	\$70.1	\$14.9	\$128.9	\$213.8
Total Operating Revenues	\$788.1	\$118.6	\$290.1	\$1,196.7
GHIP Expenses				
Operating Expenses ⁴	\$818.7	\$149.4	\$270.8	\$1,238.9
Adjusted Net Income	(\$30.6)	(\$30.8)	\$19.3	(\$42.2)

See Appendix for detailed footnotes

- Because the GHIP is a self-funded healthcare program, premium equivalent rates are established to generate the necessary revenues to fund the State's benefit obligations
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- **Premium equivalents/revenues therefore should only be used to measure underlying GHIP performance in aggregate, not by population**
 - Rating groups on their own experience will not impact the overall cost to the GHIP; however, it would ensure that contributions for plan participants (including Medicare retirees receiving less than 100% state share) are based on their group's own experience
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Appendix

GHIP historical health care fund information

FY17-FY21 actual

GHIP Costs (\$ millions) ¹	FY17	FY18	FY19	FY20	FY21
	Actual	Actual	Actual	Actual	Actual
Average Enrolled Members	123,132	125,488	126,360	128,531	129,768
GHIP Revenues					
Premium Contributions ²	\$799.0	\$810.9	\$817.4	\$830.8	\$839.4
<i>Hold premium rates flat FY23+</i>	-	-	-	-	-
Other Revenues ³	\$81.6	\$92.1	\$98.5	\$122.8	\$128.9
Total Operating Revenues	\$880.6	\$903.0	\$915.9	\$953.7	\$968.3
GHIP Expenses					
Operating Expenses ⁴	\$816.8	\$853.9	\$904.0	\$927.7	\$1,005.7
<i>% Change Per Member</i>		2.6%	5.1%	0.9%	7.4%
Adjusted Net Income	\$63.8	\$49.1	\$11.9	\$26.0	(\$37.4)
Balance Forward	\$38.9	\$102.7	\$151.8	\$163.8	\$189.8
Ending Balance	\$102.7	\$151.8	\$163.8	\$189.8	\$152.3
- Less Claims Liability ⁵	\$54.0	\$58.9	\$58.8	\$57.5	\$57.5
- Less Minimum Reserve ⁵	\$24.0	\$24.0	\$24.3	\$24.3	\$24.3
GHIP Surplus (After Reserves/Deposits)	\$24.7	\$68.9	\$80.7	\$108.0	\$70.5

GHIP long term health care cost projection footnotes

Note: FY17-FY22 actuals based on final June Fund Equity reports for respective fiscal year; FY23+ projected operating expenses and enrollment based on experience through March 2023 (claims experience updated based on OMB weekly claims analysis through April 2023); 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; assumes Medicfill plan remains in place FY23-FY27 at CY22 premium rates
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; reflects FY24 savings initiatives voted on by SEBC as of most recent SEBC meeting, including Hinge Health (\$4M savings), bariatric surgery carve-out to SurgeryPlus (\$1M savings), CVS Transform Diabetes Care and Drug Savings Review (\$1.5M savings), Prudent Rx (\$6.6M savings), increases in hospital outpatient surgery, hospital based high-tech imaging and Rx copays (\$0.8M cumulative savings); reflects cost increases associated with House Bill 303 (\$2.4M annual cost effective 1/1/24) and weight loss medication coverage with utilization management (\$1.8M annual cost effective FY24); excludes impact of the Primary Care law (unknown if it will impact GHIP); Reflects CVS Market Check for FY24 (\$9.4M cost decrease), FY25 (\$20.4M cost decrease), and FY26 (\$4.8M cost decrease)
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.