# The State of Delaware

## Special Medicfill Plan Considerations for 2024

Combined Subcommittee Meeting

May 15, 2023

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# Overview of GHIP projection data sources and methodology

## Underlying Data

- Groups: Active employees and pre-65 retirees (Aetna/Highmark/CVS) and post-65 Medicare retirees (Highmark/CVS); includes State and non-Payroll groups including University of Delaware
- Headcount: Employees and dependents enrolled during experience period
- Utilizing data from vendor experience reports (claims, enrollment, rebates, Employer Group Waiver Plan (EGWP) payments) and DHR's monthly health fund report (expenses)
- 24 months of historical claims and enrollment reviewed for experience period (weighted 65% most recent 12-months)

## Assumptions & Methodology

- Claims experience is combined for all groups (active, pre-65 retiree, Medicare retiree)
- Claims experience is adjusted to reflect:
  - Plan design, vendor, program, and/or network changes
  - Legislative changes
- Incurred but not reported (IBNR; also referred to as claim liability) factors adjust to an incurred basis, estimating the value of claims *incurred but not reported*
- Health care inflation factors, determined annually from marketplace and WTW survey data, and with approval from SEBC, project past claims into the future
- Offsets for prescription drug rebates and Medicare EGWP income reduce claims cost
- Health care administrative and legislative fees, including applicable ACA fees, are added to projected claims experience
- **Uniform rate action applied to all plans, including Medicfill – individual plan rates may not align with the underlying *actuarial value* of plan options**

Recommended best practice: rate active and retiree plans separately and set plan rates based on actuarial value of benefits

# GHIP long term health care cost projections

## FY24 Projections by Actives, Pre-65, and Medicare – *including 9.4% Medicfill rate increase*

| 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** |
| *Increase rates 9.4% in FY24* | *$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

## FY24 Projections by Actives, Pre-65, and Medicare – *no Medicfill rate increase*

| 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** |
| *Increase rates 9.4% in FY24* | *$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
- Premium revenues are determined and funded in aggregate to offset total projected expenses for the GHIP
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# 2024 Medicfill Rates

- On March 20, 2023, the SEBC voted to increase FY24 rates by 9.4% ***for non-Medicare plans only***
- Historical practice applied uniform rate increase to all plans, including Special Medicfill, with Special Medicfill rates increasing on January 1st after the start of the fiscal year
  - Special Medicfill rates were held flat for calendar year 2023, while non-Medicare rates increased 8.67%
- Based on historical practice, the 9.4% rate increase approved effective 7/1/2023 assumed an increase in Special Medicfill rates by 9.4% effective 1/1/2024
  - Holding Special Medicfill rates flat through 6/30/2024 would increase the FY24 projected deficit by $7.6M
- **Discuss calendar year 2024 rates for Special Medicfill plan**

# Special Medicfill Rx Copays 1/1/2024

# Medicfill Rx Coverage

What is retiree cost sharing under Medicfill plan?

| Medicfill Rx Plan | |
|---|---|
| Rx Deductible | $0 |
| Rx Annual Out-of-Pocket Max | $2,100 |
| **Network Retail Pharmacy**<br>*Up to 31-day supply* | |
| Generic | $8 copay |
| Brand Formulary | $28 copay |
| Brand Non-Formulary | $50 copay |
| **Participating Retail Pharmacy or Mail-Order Pharmacy**<br>*Up to 90-day supply* | |
| Generic | $16 copay |
| Brand Formulary | $56 copay |
| Brand Non-Formulary | $100 copay |

# 2024 Medicfill prescription drug copays

- On March 20, 2023, the SEBC voted to increase Rx copays in FY24 ***for non-Medicare plans only***
  - Rx copays previously not increased in years resulting in the State picking up an increased share of pharmacy costs due to Rx unit cost trends
- Approved prescription drug copay changes were based on Governmental Benchmark from WTW's 2022 Financial Benchmark Survey:
  - Generic: $10 / $20 (retail / mail)
  - Formulary: $32 / $64
  - Non-formulary: $60 / $120
- Revised copays represent increases of $2/$4 generic, $4/$8 brand formulary, and $10/$20 brand non-formulary (retail/mail)
- Similarly, Special Medicfill Rx copays have not changed in years and have not kept up with pharmacy trend
  - Increasing Special Medicfill Rx copays to non-Medicare levels would reduce the FY24 deficit by approximately $0.6M ("Option 1" on the following slide)
  - Additionally, CVS modeled the financial impact of changing member cost sharing for specialty drugs, which do not have a separate cost sharing tier under the current EGWP design ("Options 2-4" on following slide)
- At the April 2023 SEBC meeting, discussion took place around increasing Special Medicfill copays to the same levels approved for non-Medicare plans, beginning 1/1/2024
  - Further discussion on this topic will take place today; feedback from Subcommittee members will be shared with the SEBC with the potential for a vote later this month

# 2024 Medicfill prescription drug copay options

| Rx Plan Design | 2023 Current | 2024 Alternatives | | | |
|---|---|---|---|---|---|
| | | Option 1 | Option 2 | Option 3 | Option 4 |
| **Network Retail Pharmacy** *Up to 31-day supply* | | | | | |
| Generic | $8 | $10 | $8 | $8 | $8 |
| Brand Formulary | $28 | $32 | $28 | $28 | $28 |
| Brand Non-Formulary | $50 | $60 | $50 | $50 | $50 |
| **Participating Retail Pharmacy or Mail-Order Pharmacy** *Up to 90-day supply* | | | | | |
| Generic | $16 | $20 | $16 | $16 | $16 |
| Brand Formulary | $56 | $64 | $56 | $56 | $56 |
| Brand Non-Formulary | $100 | $120 | $100 | $100 | $100 |
| **Specialty Drugs** | | | | | |
| *Up to 31-day supply* | Applicable tier copay* | Applicable tier copay* | 5% with $50 max | 5% with $75 max | 5% with $125 max |
| *Up to 90-day supply* | Applicable tier copay* | Applicable tier copay* | 5% with $100 max | 5% with $150 max | 5% with $250 max |
| **Rx Annual Out-of-Pocket Maximum** | $2,100 | $2,100 | $2,100 | $2,100 | $2,100 |
| **Member Impact:** Rx utilizers who will pay… | | | | | |
| Less than current | n/a | 0 (0%) | 78 (0.3%) | 71 (0.3%) | 72 (0.3%) |
| About the same as current | n/a | 0 (0%) | 26,922 (97.3%) | 26,828 (96.9%) | 26,828 (96.9%) |
| More than current | n/a | 27,678 (100.0%) | 678 (2.4%) | 779 (2.8%) | 778 (2.8%) |
| **Estimated savings to GHIP** | **n/a** | **$0.6M** | **$1.0M** | **$2.7M** | **$3.4M** |
| - *From increased member cost share* | | *$0.6M* | *$0.3M* | *$0.3M* | *$0.3M* |
| - *From increased CMS subsidies / reinsurance* | | *$0.0M*** | *$0.7M* | *$2.4M* | *$3.1M* |

*Generic, preferred brand or non-preferred brand.
**Not factored into the savings estimate for Option 1.

# Impact on Rx annual maximum out-of-pocket

- At the April SEBC meeting, some questions were raised about the impact of the proposed specialty drug copay changes on members' out-of-pocket costs
- CVS provided the chart below outlining the percent of members projected to reach the $2,100 Rx annual maximum out-of-pocket under each of the specialty drug plan design alternatives
- Additional out-of-pocket "thresholds" were also provided up to the $2,100 maximum, which illustrates the percent of members who will pay up to a certain percentage of the $2,100 maximum
  - Example: In 2022, approximately 2.13% of all members enrolled in Special Medicfill Rx coverage paid at least $1,050 (i.e., 50% of the maximum out-of-pocket amount) toward the cost of their prescription drugs

| | | | % of members projected to reach %MOOP Threshold | | | | |
|---|---|---|---|---|---|---|---|
| Maximum Out-of-Pocket (MOOP) | % of MOOP | % of MOOP Threshold (in dollars) | 2022 | 2024 | 2024 | 2024 | 2024 |
| | | | Current | No plan design changes except as required by IRA* | Option 2 | Option 3 | Option 4 |
| $2,100 | 25% | $525 | 18.39% | 17.62% | 18.12% | 18.64% | 19.24% |
| $2,100 | 50% | $1,050 | 2.13% | 1.02% | 1.09% | 1.16% | 1.47% |
| $2,100 | 75% | $1,575 | 0.18% | 0.09% | 0.09% | 0.10% | 0.16% |
| $2,100 | 100% | $2,100 | 0.01% | 0.04% | 0.04% | 0.04% | 0.07% |

*In 2024, the Inflation Reduction Act (IRA) eliminates member cost sharing once a Medicare beneficiary reaches Medicare's "catastrophic coverage" level of drug benefits, which is reached once the payments made by the beneficiary plus any "Extra Help" from Medicare (low income member cost sharing assistance) and drug manufacturer discounts toward brand name drugs during the coverage gap discount ("donut hole") phase reach a specified threshold ($7,400 in 2023).

# Appendix

# Medicare Supplement – Special Medicfill Plan

## Rates effective January 1, 2023 – December 31, 2023

| | Total Monthly Rate | State Share | Pensioner Pays |
|---|---|---|---|
| **Highmark Delaware Medicare Supplement for Pensioners Retired On or Prior to July 1, 2012** | | | |
| Special Medicfill with Prescription | $459.38 | $459.38 | $0.00 |
| Special Medicfill without Prescription | $260.44 | $260.44 | $0.00 |
| **Highmark Delaware Medicare Supplement for Pensioners Retired After July 1, 2012** | | | |
| Special Medicfill with Prescription | $459.38 | $436.42 | $22.96 |
| Special Medicfill without Prescription | $260.44 | $247.44 | $13.00 |

- If you have less than 20 years of service and were first hired on or after July 1, 1991, the State does not pay the full state share but will pay a percentage of the state share of the cost of your coverage as explained in the charts below.

| **Eligible Pensioners Hired By The State On Or After July 1, 1991 Through December 31, 2006**<br>***(The following portion of the State Share will be paid by the State)***<br>**(Except those receiving a disability pension or receiving an LTD benefit)** | | |
|---|---|---|
| Less than 10 years service | 0% | state share paid by state |
| 10 years - less than 15 years service | 50% | state share paid by state |
| 15 years - less than 20 years service | 75% | state share paid by state |
| 20 years or more service | 100% | state share paid by state |
| **Eligible Pensioners Hired By The State On Or After January 1, 2007**<br>***(The following portion of the State Share will be paid by the State)***<br>**(Except those receiving a disability pension or receiving an LTD benefit)** | | |
| Less than 15 years service | 0% | state share paid by state |
| 15 years - less than 17.5 years service | 50% | state share paid by state |
| 17.5 years - less than 20 years service | 75% | state share paid by state |
| 20 years or more service | 100% | state share paid by state |

# Medicare Supplement – Special Medicfill Plan

## Illustrative rates effective January 1, 2024 – June 30, 2024 (+9.4% over current)

| | Total Monthly Rate | State Share | Pensioner Pays |
|---|---|---|---|
| **Highmark Delaware Medicare Supplement for Pensioners Retired On or Prior to July 1, 2012** | | | |
| Special Medicfill with Prescription | $502.56 | $502.56 | $0.00 |
| Special Medicfill without Prescription | $284.92 | $284.92 | $0.00 |
| **Highmark Delaware Medicare Supplement for Pensioners Retired After July 1, 2012** | | | |
| Special Medicfill with Prescription | $502.56 | $477.44 | $25.12 |
| Special Medicfill without Prescription | $284.92 | $270.68 | $14.24 |

- If you have less than 20 years of service and were first hired on or after July 1, 1991, the State does not pay the full state share but will pay a percentage of the state share of the cost of your coverage as explained in the charts below.

| **Eligible Pensioners Hired By The State On Or After July 1, 1991 Through December 31, 2006**<br>***(The following portion of the State Share will be paid by the State)***<br>**(Except those receiving a disability pension or receiving an LTD benefit)** | | |
|---|---|---|
| Less than 10 years service | 0% | state share paid by state |
| 10 years - less than 15 years service | 50% | state share paid by state |
| 15 years - less than 20 years service | 75% | state share paid by state |
| 20 years or more service | 100% | state share paid by state |
| **Eligible Pensioners Hired By The State On Or After January 1, 2007**<br>***(The following portion of the State Share will be paid by the State)***<br>**(Except those receiving a disability pension or receiving an LTD benefit)** | | |
| Less than 15 years service | 0% | state share paid by state |
| 15 years - less than 17.5 years service | 50% | state share paid by state |
| 17.5 years - less than 20 years service | 75% | state share paid by state |
| 20 years or more service | 100% | state share paid by state |

# Medicare Supplement – Special Medicfill Plan

## Medicfill Contributions by State Share

| | | | Per Retiree Contribution | |
|---|---|---|---|---|
| Health Plan | State Share % | Number of Med Retirees | Annual | Monthly |
| | | | | |
| Pensioners Retired After July 1, 2012 | | | | |
| Special Medicfill | 100 | 5,818 | $275.52 | $22.96 |
| Special Medicfill | 75 | 1,035 | $1,584.78 | $132.07 |
| Special Medicfill | 50 | 466 | $2,894.04 | $241.17 |
| Special Medicfill | 0 | 85 | $5,512.56 | $459.38 |
| Special Medicfill | Double State Share* | 325 | $275.52 | $22.96 |
| | | | | |
| Special Medicfill w/o Rx | 100 | 98 | $156.00 | $13.00 |
| Special Medicfill w/o Rx | 75 | 40 | $898.32 | $74.86 |
| Special Medicfill w/o Rx | 50 | 33 | $1,640.64 | $136.72 |
| Special Medicfill w/o Rx | 0 | 19 | $3,125.28 | $260.44 |
| Special Medicfill w/o Rx | Double State Share* | 6 | $156.00 | $13.00 |
| | | | | |
| Pensioners Retired On or Prior to July 1, 2012 | | | | |
| Special Medicfill | 100 | 15,581 | $0.00 | $0.00 |
| Special Medicfill | 75 | 311 | $1,378.14 | $114.85 |
| Special Medicfill | 50 | 224 | $2,756.28 | $229.69 |
| Special Medicfill | 0 | 33 | $5,512.56 | $459.38 |
| | | | | |
| Special Medicfill w/o Rx | 100 | 440 | $0.00 | $0.00 |
| Special Medicfill w/o Rx | 75 | 3 | $781.32 | $65.11 |
| Special Medicfill w/o Rx | 50 | 21 | $1,562.64 | $130.22 |
| Special Medicfill w/o Rx | 0 | 18 | $3,125.28 | $260.44 |
| | | | | |
| Total | | 24,556 | | |

Data source: February 2023 Office of Pensions reporting.

* Definition of Double State Share, from 29 Del Code 5202(d)(5):

*If both spouses are Medicare eligible and 1 or both retired on or after July 1, 2017, only 1 50 percent pensioner only, or $25 per month premium, whichever is greater, shall apply when separate contracts are required for a Medicare Advantage Plan.*

*If both spouses are Medicare eligible and both retired after July 1, 2012, and before July 1, 2017, each Medicare eligible pensioner shall be charged $25 per month premium when separate contracts are required for a Medicare Advantage Plan.*

# 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**

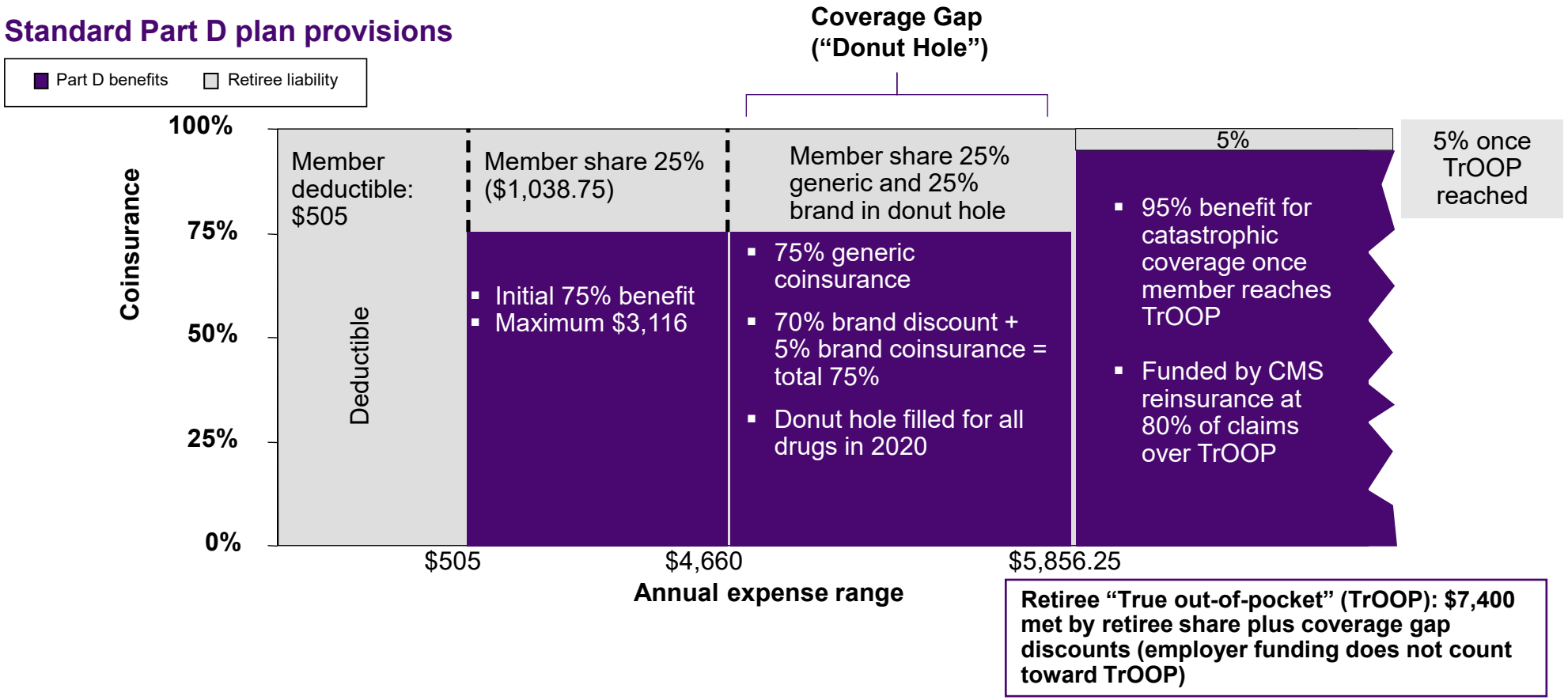
1. FY23-FY27 projections based on 5% medical, 8% pharmacy baseline trend; assumes 1% annual growth in GHIP membership; assumes Medicfill plan remains in place FY23-FY27 at CY22 premium rates
2. Includes State and employee/pensioner premium contributions; assumes 1% annual enrollment growth for FY23-FY27
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.*

# 2023 Medicare Part D*

Unlike Part A and Part B, Part D is provided by insurance companies who design plans that must be actuarial equivalent (or better) to the standard design (below). With the subsidy determined by a bidding process based on the standard design.

## Standard Part D plan provisions




* As published in CMS advance notice and final notice on Part D terms and MA payment parameters