



Approved 12/18/18

Minutes of SEBC Financial Subcommittee Meeting
December 4, 2018 - 1:00 pm

Attendees

Subcommittee Members

- Ruth Jones, Designee of CGO
- Sandra Johnson, SEBC Member, DHR
- Steven Costantino, Designee of DHSS
- Judy Anderson, Designee of DSEA
- Keith Warren, Designee of Lt. Governor
- Judi Schock, Designee of OMB
- Faith Rentz, Subcommittee Chair, Designee of DHR

Guests

- Leighann Hinkle, SBO, DHR
- Jeff Taschner, SEBC Member, DSEA
- Joe Winn, Aetna
- Jennifer Mossman, Highmark Delaware
- Christina Bryan, DE Healthcare Assoc
- Cherie Dodge Biron, DHR
- Walt Mateja, IBM Watson Health
- Rebecca Warnken, Willis Towers Watson
- Chris Giovannello, Willis Towers Watson

Agenda

- Call to Order
- Approval of minutes from November 7, 2018 meeting
- SEBC/Financial Subcommittee Updates
- Financials
 - October Fund Report
 - FY19 Qtr. 1 Financial Reporting
 - GHIP Long Term Projection Recast
- Reserve & Surplus Modeling
- Other Business
- Public Comment

Summary of Discussion

Call to Order

- Faith Rentz called the meeting to order at 1:00 pm. It was noted that Lisa Porter, SBO Executive Assistant has accepted another position and December 6, 2018 will be her last day with SBO. A replacement for Lisa is expected to be on boarded in early to mid-January 2019.

SEBC / Financial Subcommittee Updates

- The SEBC Financial (HP&P) November 7, 2018 subcommittee minutes were reviewed. Steven Costantino made a Motion to approve the meeting minutes. Judy Anderson seconded the motion which was unanimously approved by the

subcommittee.

- Ms. Rentz provided updates to the group on the November 13, 2018 SEBC meeting at which time the WTW team provided an in depth review of the FY18 Health Management Program administered by Aetna, Highmark and Carelink CareNow for the Aetna HMO population. The SEBC was also provided with a review of the Proposal Review Committee's recommendation for contract award for the Disability Program Administration to The Hartford which was unanimously approved by the SEBC. Ms. Rentz also reviewed the upcoming December 10, 2018 SEBC agenda items.
- Ms. Rentz reviewed the work of the Health Policy & Planning Subcommittee conducted at the November 7, 2018 meeting related to the COE carve-out administration and informed the group that the SBO was currently working to obtain data needed by SurgeryPlus, the awarded COE vendor, to provide proposals on the plan design, incentive and engagement strategy. Ms. Rentz explained that the data is being targeted for delivery by the end of the year and discussions will continue in January/early February with the Subcommittee. The goal is to provide a set of recommendations on the covered services, plan design and incentive/engagement strategy to the SEBC for approval for an effective date in the FY20 plan year. Today's meeting will focus on the items outlined in the agenda and will continue at the next meeting where the subcommittee will be asked to complete a recommendation for review with the SEBC in January on FY20 plan design changes.
- Ms. Rentz provided brief updates on the Financial Subcommittee's work at the November 7, 2018 meeting which included a discussion on the reserve, claim liability and surplus methodology. The December 4th meeting will include review of the impact of adjustments to the confidence intervals and options from WTW on additional components to the minimum reserve as well as scenarios around partial use of surplus funds to better understand the potential impact longer term on GHIP expenditure growth. There will also be a review of the FY19 Qtr. 1 financials.
- Judy Anderson inquired about the tracking log and estimated delivery of the "Quick Hits" items for the Financial Subcommittee listed from the November 7, 2018 meeting. The items will be provided to the group on or before the next meeting.

Financials

October Fund Report

- Chris Giovannello, Willis Towers Watson, reviewed the October Fund & Equity report. The Group Health Fund continues to operate \$7M ahead of budget year-to-date despite the fund balance decreasing \$11M from September. Mr. Taschner commented that it appeared that medical expenditures might be catching up to prescription spend. Secretary Johnson asked how the performance compared to this period last year and Ms. Warnken indicated that would be discussed today.

FY19 Qtr 1 Financial Reporting

- Mr. Giovannello walked the subcommittee through the Executive Summary pointing out an 8.5% trend per employee per year (PEPY). While a significant trend, when compared to budget, PEPY is still performing better. WTW cautioned not to put too much stock in one quarter as there was an extreme difference during FY18 between quarter 1 and quarter 4. Mr. Costantino asked about the impact of the flu on FY18 expenditures and it was noted that most of the flu related claims hit during Qtrs. 2 and 3. Mr. Costantino also asked about how prescription was comparing overall to other

plans. Ms. Warnken commented that prescription in Qtr. 1 appears high in part due to low to flat experience during the same quarter in FY18. Total program costs over prior period are 5.6% through the end of September; however, reduce to 2.8% by the end of October. The fund is seeing more utilization in Qtr. 1 compared to last fiscal year. WTW will provide a similar review of the Executive Summary results to the SEBC quarterly and a deeper dive on the IBM dashboard on an annual basis.

A more detailed review of FY19 Qtr. 1 expenses were shown. WTW is reducing expected FY19 expenses based on the quarter's experience and will refresh as more experience is available. A comparison of the financials and fund report was reviewed and the subcommittee was reminded of the purpose which is to align the two data sources as necessary due to timing differences. Mr. Costantino asked about rebates as a percentage of total drug spend and if there had been any changes. Ms. Warnken explained that due to the new contract and changes in the industry, the plan was receiving much improved rebates. The specialty category continues to increase and it is expected that the recontracting of the prescription contract for FY20 will further address both rebates and specialty costs.

There was a review of the IBM dashboard. Mr. Costantino asked if anything jumped out as an outlier. Ms. Warnken responded that the plan continues to see higher utilization and there is a need to manage chronic conditions. Inpatient utilization is down.

GHIP Long Term Projection Recast

Rebecca Warnken, Willis Towers Watson, reviewed the revised long-term cost projections which reflect updated GHIP claims experience through September 2018. FY19 operating expenses are projected to be down from \$932.1M as of the FY18 Qtr. 4 update to \$921.6M with the decrease primarily being driven by continued favorable claims experience. Looking ahead to FY20, the revised projected expenses are now \$985.6M, down from \$999.7M using a 5% trend and including \$500,000 in anticipated savings for the carve-out COE program based upon 10% utilization and \$2.4M in added costs associated with legislation passed during the 149th General Assembly. The GHIP is projected to now end FY20 with a surplus of \$3.5M, assuming a 2% increase in premium contributions is implemented on July 1, 2019 and there are no changes made to the reserve methodology. WTW advised that the use of a 5% trend is aggressive and other ranges of reasonable assumptions were referenced as being listed in the presentation appendix. Mr. Taschner verified that the updated projections continue to assume a 2% increase in headcount. Ms. Warnken confirmed and noted that the data indicated a slight decrease in the headcount for FY19. Mr. Taschner commented on his trying to separate increases in expenditures due to utilization from increases due to enrollment changes. Secretary Johnson thanked WTW for illustrating the actual premium increase in monetary terms and asked that it be illustrated on the slide heading as well. The group agreed the premiums illustrated as both a percentage and in dollar amounts was very helpful. Mr. Costantino asked for clarification on the trend assumptions being used and Ms. Warnken explained that for FY19, a combined trend was being used and that FY20 and forward was being projected with a flat 5% projection. Mr. Costantino inquired about the basis for the 5% and Ms. Warnken explained that it was based upon a look at national trend and also trying to account for the benefit of plan changes and steerage, noting again that

the 5% is aggressive. Mr. Taschner asked if actual experience for the GHIP is lower and it was confirmed to be. Future updates to the projection slide will include the actual experience for years in which the data is available. Questions were asked about the likelihood of the excise tax actually being imposed and predictions on if there would be further delays and/or changes to the proposed amount. More discussion on this topic is likely at the federal level and the current excise tax projections illustrate the tax based on current requirements which only account for CPI increases. Ms. Anderson asked for 5 to 10 years of trend in actual expenses which will be provided at the next meeting and for clarification on how to determine available surplus which is based upon the fund balance at any given month less the reserve and claim liability.

Minimum Reserve & Surplus Modeling

Ms. Warnken reviewed the current minimum reserve methodology which sets the reserve based upon an upper bound of 97% confidence interval of the Willis Towers Watson health care trend variability tool. This is set on an annual basis based upon the final fiscal year budget. The \$24.3M reserve reflects data available as of July 2018 and through FY18 Qtr. 4. Ms. Warnken continued by walking the subcommittee through several scenarios using the reforecasted FY19 projected costs: increasing the confidence interval to 98.5% and increasing the confidence interval to 98.5% and including a 1% population risk load. Mr. Costantino asked for background on the higher confidence interval being used for the GHIP and Ms. Warnken explained the past experience with utilizing the reserve and the end result was what the SEBC was most comfortable with at that time.

A discussion on possible use of the GHIP surplus over 2-3 years as opposed to using the full amount to offset the costs in FY20 occurred along with a review of the impact of multi-year use of the surplus and use of reserve methodology options on the GHIP deficit. Each illustrative model included targeted savings opportunities that would be needed to allow for the use of surplus over 2-3 years. Secretary Johnson asked how much of the targeted savings opportunities is discretionary for program changes and what would be the runway for realizing those savings. Ms. Warnken explained that looking at \$21M in year 1, the changes would need to achieve immediate savings; however, WTW is agnostic to how those savings would be achieved. Mr. Costantino asked for clarification on how to reconcile the illustrative modeling with the recast projections (slide 4). Ms. Warnken explained that if no changes are made, the GHIP is projected to have a \$4.5M surplus using all surplus to solve for the FY20 deficit; while the illustrative modeling suggests a range of savings would need to be achieved from additional plan design and programming changes that have not yet been approved but may be considered for implementation in FY20 to allow for a use of surplus over a longer period. Secretary Johnson asked about how exacting would the savings opportunities need to be as some changes will require more time to achieve savings. The subcommittee continued to dialogue around historically what the GHIP projections have been and looking at projections compared to realized. Mr. Costantino expressed concern that if the savings opportunities are not achieved that use of the surplus funds and availability of surplus changes. Ms. Anderson asked about the standard other plans might be using for reserve levels. Ms. Warnken explained that reserve methodology varies in the public sector and in the private sector there are other sources that can be used when funds are needed. Most states do not engage in a complicated analysis and use for example, two months of claims data.

Secretary Johnson asked what the intent was with regards to recommendations to the SEBC and if there was a need to become informed on the Health Policy & Planning Subcommittee options. Ms. Rentz suggested that the Financial Subcommittee focus on the reserve and surplus options and allow the Health Policy & Planning Subcommittee to work on plan design and savings opportunities. Recommendations from both subcommittees will be brought to the SEBC for final decisions and voting. Ms. Warnken responded to additional questions related to the claim liability and tried to explain that due to the timing and lag for run out claims that a separate set aside for payment of incurred but not yet paid claims was necessary and not included in the projection amount. Mr. Taschner indicated that he felt the reserve as set is adequate, but that the subcommittee will need to determine the best use of the surplus while taking into account how premium increases, which impact everyone, and plan design and programming changes, which impact only certain members, will affect the GHIP population. Mr. Taschner asked if there was any other information that could be considered as part of these recommendations. SBO will provide plan enrollment by salary as previously presented to the SEBC in 2017 as Ms. Rentz indicated that there has not been significant movement in plan distribution or average annual salary since the analysis was last performed. The goal of the next meeting on December 18th is to finalize a recommendation to the SEBC on the reserve and use of surplus funds as well as to review of the impact of various increases in the premiums on the monthly contributions.

Other Business

- None

Public Comment

- There was no public comment.

Action Items

- Approved November 7th meeting minutes as presented.

Closing

- Secretary Johnson made a Motion to adjourn the meeting at 2:52 pm.

Next Meeting

- Date: Tuesday, December 18, 2018
- Time: 1:00 pm
- Location: Statewide Benefits Office
97 Commerce Way, Suite 201, Dover, DE 19904
Phone: 1-800-489-8933