

**State Employee Benefits Committee**  
**Monday, July 27, 2015 at 2:00 p.m.**  
**Tatnall Building, Room 112**  
**Dover, Delaware**

The State Employee Benefits Committee met on July 27, 2015, at the Tatnall Building, Room 112, Dover, Delaware. The following Committee members and guests were present:

Ann Visalli, Director, OMB	Mike Morton, Controller General
Faith Rentz, Deputy Director, OMB, SBO	Jennifer Mossman, Highmark
Lisa Porter, OMB, SBO	Casey Oravez, OMB, Financial Operations
Cynthia Angermerer, DSEA-R	Karol Powers-Case, DRSPA
Howard Atkinson, Segal	Rebecca Reichardt, OMB
David Craik, Pension Office	Kimberly Reinagel-Nietubiez, CGO
Chief Magistrate (Andrew) Davis, AOC	Paula Roy, Roy Associates
Jessica Eisenbrey, OMB	Shari Sack, Aflac
Darcell Griffith, Univ of DE	Holly Scott, PHRST
Kim Hawkins, City of Dover	Paul Silverman, DHSS
Katherine Impellizzeri, Aetna	Ken Simpler, OST
Carlton Ingram, Aetna	Jeff Taschner, DSEA-SWU
Andrew Kerber, DOJ	James Testerman, DSEA-R
Steve Kunz, CVS Health	Karen Weldin Stewart, DOI
Dave Leiter, DHSS	Stuart Wohl, Segal
Joe Marocco, HMS	

#### **Introductions/Sign In**

Director Visalli called the meeting to order at 2:03 p.m. Anyone who had public comment was invited to sign in and any others wishing to comment would be given the opportunity at the end of the meeting. Introductions were given around the room.

#### **Approval of Minutes**

Director Visalli requested a motion to approve the minutes from the June 12, 2015 SEBC meeting. Commissioner Stewart made the motion and Controller General Morton seconded the motion. Upon unanimous voice vote the minutes were approved.

#### **Director's Report**

Ms. Rentz updated the committee on the May 2015 Open Enrollment and the requirement for employees who cover a spouse on their health plan must complete a Spousal Coordination of Benefits (SCOB) form. The Statewide Benefits Office (SBO) sent letters to those employees who did not complete the form the last week in June. On July 16, sanctions were applied to those spouses where the form was not completed on their behalf. Approximately 1,050 Highmark and 55 Aetna spouses were sanctioned. When the SCOB form is completed and after it has been determined to be compliant, that sanction will be lifted retroactively back to the beginning of the plan year.

Regarding the July enrollment for changes effective September 1, the plan distributions remained unchanged from the May enrollment period. The Special Medicfill open enrollment for Medicare Retirees to make changes in their Medicare Part D plan has been scheduled for October 12 through October 23, 2015. Mailings will be sent to Medicare pensioners in mid-September.

Ms. Rentz informed the committee about a few calls received by the SBO regarding chiropractic coverage under the Highmark plan. In May 2015, the Chiropractic Association distributed a letter to their providers reminding them not to

bill insurance carriers, specifically Highmark, for maintenance and wellness care as billing should be for only acute conditions.

Director Visalli clarified Section 73 of House Bill 225 that forms a task force to study the State Employees Health Plan with the purpose of finding cost savings and efficiencies. Meetings will be open to the public and employees to gather views. The task force shall submit the recommendations to the Governor and General Assembly no later than December 1, 2015. Meeting dates will be:

September 9, 2015 at 10:00 am	October 8, 2015 at 1:00 pm	November 5, 2015 at 10:00 am
September 24, 2015 at 10:00 am	October 22, 2015 at 10:00 am	November 17, 2015 at 10:00 am

#### **Fund & Equity – May 2015 - handout**

Ms. Oravez presented the May Fund & Equity report. The Net Fund Equity balance for May is \$21.6M leaving an ending balance of negative \$85.3M. It is planned to reformat this report to provide more detailed information in a clearer view.

#### **FY15 Qtr 3 Financials - handout**

Mr. Atkinson presented the Fund Reserve Analysis that showed reasons why reserves are necessary which are to increase the likelihood that the plan is able to withstand unanticipated financial losses caused by adverse fluctuation in claims, enrollment and other changes. Maintaining an adequate reserve means that to a very high degree of certainty, all obligations of claims and administrative expenses are met and helps to ensure the long-term solvency of the plan. The Risk-Based Capital (RBC) was developed by the National Association of Insurance Commissioners (NAIC) and the American Academy of Actuaries. RBC is used by most state insurance regulators to measure solvency (minimum reserves) of insurance companies. The reserve level of the State Health Plan is tied to the RBC formula. An RBC Ratio of 2.0 (referred to as 200% RBC) is defined as the minimum reserve level. Calculations for the State Group Health Plan are performed each July following close of the fiscal year with 10% of actual expenses from the prior year determined to be equal to the 200% RBC minimum reserve. The 10% proxy formula was adopted by the SEBC in June 2009 with the original FY10 Minimum Reserve Calculation being \$50M. In March 2012, SEBC voted to increase the 200% RBC level to 205% which resulted in a minimum reserve of \$62M for FY13. At a 205% RBC level, the minimum reserve for FY2014 was \$64M; FY2015 was \$71M and the projected FY2016 is \$79M.

Treasurer Simpler asked to see the application of the RBC formula against the 10% proxy formula. He also asked Mr. Atkinson for a confidence percentage that the 10% proxy formula sufficiently represents the RBC formula and if possible, to produce historical confidence percentages and a projected percentage for FY16.

Mr. Atkinson was also asked to provide support as to why the 200% minimum reserve is sufficient for the State Group Health Plan. Commissioner Stewart explained that such estimates and recommendations would vary by actuary. Chief Magistrate Davis asked if there was data available on how other self-funded plans calculate reserve and if other plans were seeing similar challenges with the formula. Director Visalli commented that as the Group Health Plan is a State government plan, the risk of terminating the self-insured plan is low and that the challenge of recent unforeseen and rapid increases in expenditures is being experienced by most self-insured plans.

Mr. Atkinson and the Segal team will attempt to further illustrate the actual application of the RBC and provide additional information to allow the SEBC to make decisions about what should be a sufficient minimum reserve and how the SEBC might contemplate a strategy to rebuild the reserve.

#### **PCSK9 Cholesterol Medications - handout**

Ms. Rentz presented information on cholesterol medications that included population, costs to State Plan and treatment guidelines. PCSK9 is a new class of cholesterol lowering medications (statins). Two new drugs, Praluent™ was approved by the FDA on July 24, 2015 and Repatha™ is pending FDA approval in the next few weeks. These medications are injectable – once or twice per month. The financial impact of PCSK9 is estimated at \$12,000 annually per patient

compared to \$600 for traditional statins. Management of drug utilization will minimize prescription drug costs annually with prior authorization for any PCSK9 prescribed by provider, dispensing limited to specialty providers of Accredo (ESI Specialty pharmacy) and Biotek (specialty pharmacy in New Castle), doctors must provide medical information and lab tests and a dedicated team of clinicians at ESI to review data submitted. ESI will provide rigorous prior authorization package for PCSK9 drugs at the cost of \$0.20PMPM. Additional annual administrative fees include \$236,000 for active/non-Medicare (13.1%/12,900) population and \$54,200 for Medicare (57.8%/13,047) population. Two additional new cholesterol PCSK9 drugs are due out in 2016.

#### **Public Comment**

Mr. Leiter inquired as to who absorbs the administrative costs associated with improper billing and also thanked Commissioner Stewart for not proposing to further increase the minimum reserve.

Ms. Case thanked Treasurer Simpler and Commissioner Stewart for their comments.

Mr. Testerman referred to a recent article that suggested injectable cholesterol medications may cause some issues.

Director Visalli thanked everyone for their comments, and then stated that the SEBC would need to go into Executive Session to hear an appeal and there would be no additional business for the committee after Executive Session. The next SEBC meeting is scheduled for August 24, 2015.

Director Visalli then asked for a motion to adjourn the public meeting and go into Executive Session. Chief Magistrate Davis made the motion and General Controller Morton seconded. Upon unanimous voice approval, the Committee moved into Executive Session at 3:14 p.m.

A motion to move out of Executive Session and return to public session was made at 3:46 p.m. with Controller General Morton making the motion and Treasurer Simpler seconding the motion.

Director Visalli requested a motion to adjourn the meeting. Controller General Morton made the motion and Treasurer Simpler seconded the motion. The meeting was adjourned at 3:47 p.m.

Respectfully submitted,

Lisa Porter  
Executive Secretary  
Statewide Benefits Office, OMB