

State Employee Benefits Committee
Monday, September 28, 2015 at 2:00 p.m.
Tatnall Building, Room 112
Dover, Delaware

The State Employee Benefits Committee met on September 28, 2015, at the Tatnall Building, Room 112, Dover, Delaware. The following Committee members and guests were present:

Ann Visalli, Director, OMB	Omar Masood, OST
Brenda Lakeman, Director, SBO	Mike Morton, Controller General
Faith Rentz, Deputy Director, SBO	Jennifer Mossman, Highmark
Lisa Porter, OMB, SBO	Evelyn Nestlerode, AOC
Howard Atkinson, Segal	Mike North, Aetna
Alexis Bryan-Dorsey, OMB	Casey Oravez, OMB, Financial Operations
Lisa Carmean, City of Milford	Karol Powers-Case, DRSPA
Tom Cook, Finance	Jackie Rhoads, Highmark
David Craik, Pension Office	Sandy Richards, AFSCME-R
Karin Faulhaber, PHRST	Paula Roy, Roy Associates
Darcell Griffith, Univ of DE	Shari Sack, Aflac
James Harrison, DSEA-R	Ken Simpler, OST
Chris Hudson, Univ of DE	James Testerman, DSEA-R
Nick Johnson, OMB, BDPA	Everett Toomey, DRSPA
Andrew Kerber, DOJ	Crystal Webb, DHSS
Geoff Klopp, COAD	Karen Weldin Stewart, DOI
Dave Leiter, DHSS	Joanne White, DPH-WIC
Joe Marocco, HMS	

Introductions/Sign In

Director Visalli called the meeting to order at 2:00 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 (handout)

Director Visalli requested a motion to approve the minutes from the July 27, 2015 SEBC meeting. Controller General Morton made the motion and Mr. Cook seconded the motion. Upon unanimous voice vote the minutes were approved.

Director's Report – Brenda Lakeman

PCSK9 Cholesterol Medications Update

An update from July's meeting was provided that due to the limited clinical indications for these drugs, Praluent™ and Repatha™, Express Scripts (ES) will not be moving to the Select Home Delivery as mentioned. We will not be assessed the \$0.20 per member per month fee and ESI is currently reviewing both medications to determine to cover one or both on the formulary.

Request for Proposals (RFP) Updates

Updates include the Vision recommendation to be presented to the committee today. The Dental RFP finalists meeting will be held October 20, 2015 and expect to bring a recommendation to the committee at the October or November meeting. Nine bids were received for the Pharmacy RFP which are currently under review with Segal before moving forward for pricing and determining finalists. Recommendations for the prescription award to be brought before the committee in December or January.

Task Force Committee Meetings Update

The first two Task Force meetings have been held. The first on September 9th focused on laying the foundation on cost savings & efficiency, group health insurance plan overview and a forecast of future expenditures. The second meeting on September 24th consisted of Trend Drivers presentation by Truven and Aon Hewitt Consulting presented benchmarking against other public and private employers. The next meeting is October 8th and will be focused on provider rates and other strategies to reduce costs.

Public Testimony Meetings Update

The four Public Testimony meetings have been held. Most of the speakers were State employees with a few members of the public from the Chiropractic Association, a Teladoc representative and someone speaking about auditing. Information is available on the website on these public meetings along with the email link for suggestions.

Financials

Fund Reserve Analysis – Howard Atkinson, Segal (handout)

This presentation included information from the July 27th meeting with some added detail. As previously discussed, it is evident why reserves are necessary. The H2 Underwriting Risk is the only risk that applies to the State of Delaware Health Fund. Risk factors were reviewed along with the formula. When the 10% was put in place, it did not reflect the EGWP. The percentage is increasing as EGWP becomes a larger portion of the total as it has higher risk factors due to the timing of when reinsurance and coverage gap discounts are reimbursed. Recommend to use the RBC software to calculate minimum reserves directly. In March 2012, SEBC voted to increase 200% RBC level to 205% effective FY13. At the 205% RBC level for FY16 it would require \$79M as a projected benchmark. Treasurer Simpler asked how the H2 risk is calculated as 10% doesn't seem adequate for a 5 year rolling period. Mr. Atkinson responded that the reserve had been very stable but then FY14 and FY15 showed a lot of volatility. A strategy going forward is to build a margin into the rates that explicitly is a reserve to build on.

FY2015 Financial Summary Key Findings - Howard Atkinson, Segal (handout)

For the FY15, ending June 30, 2015, the total premium paid by the State, Participating Groups, Employees and Retirees was \$628.5M, a 2.0% increase over FY14. Total claims and expenses were \$708.1M, an 8.9% increase. The plan had a net loss of \$79.6M or 12.7% of premium for FY15. Medical claims were \$498.6M, a 7.4% increase over FY14. On a per member basis, the average medical spend was \$4,307, an increase of 5.5% from the prior year. Highmark PPO for Active employees had the most covered lives (45,875) and had a \$4,996 per member cost, a 5.8% from prior year. The Highmark PPO for Retirees had the highest cost per member at \$8,583. Prescription Drug claims totaled \$224.4M. When accounting for rebates and EGWP savings, total costs were \$176.3M. On a per member basis, average prescription drug spend was \$1,455, an increase of 11.4% from prior year. Reasons for the increase include increased number and usage of specialty drugs, increased usage of compound drugs and overall drug inflation. Medicare retirees had the highest cost per member at \$2,679. Each of the plans with premiums versus claims costs were shown for active employees and non-Medicare eligible. The final result shows a loss of \$79.6M for FY15. Treasurer Simpler asked if we have ever priced the plans separately. Ms. Lakeman responded no but this has been discussed.

Fund & Equity – June through August 2015 – Casey Oravez (handout)

The Fund & Equity report for June through August 2015 was presented in the new format. June had a Claim Liability balance of \$27.7M against the recommended target of \$45M. July had an ending balance of \$11.1M that occurred due to an additional claim payment for Highmark. The State did receive a \$1.7M quarterly Medicare Part D coverage gap discount in July. August shows an ending balance of \$477,985.08 that included an additional Express Scripts payment. A rebate of \$4.7M is expected in September. As of August, the projected operating revenues beginning September 1st through June 30, 2016 is \$661.4M and the projected operating expenses is \$661.9M. This is updated based on future projections with premiums and claims.

2016 Express Scripts Formulary Update – Brenda Lakeman (handout)

The Prescription Benefit Manager (PBM), Express Scripts (ES) reviews the National Preferred Formulary update every year to determine if changes are needed for the January 1st of the following year. Changes shown in the presentation are effective January 1, 2016 and do include a few exclusions and changes. Medications are listed with their classes that will be excluded with an alternative drug listed. Several other medications excluded in 2015 are returning to this list, most are non-preferred. There are additional diabetic test strips added to the NPF exclusion list. Lifescan (One Touch) is returned to the list as a preferred test strip. Members impacted by these changes will be notified by ESI with letters and emails. For FY15, ESI estimated a savings of \$5.3M from people changing from an excluded drug to a preferred medication and hope to see similar savings going forward. Treasurer Simpler asked if members have the choice of preferred to non-preferred as drugs are removed and Ms. Lakeman responded they have a choice as most drugs that are non-preferred have a generic alternative and would have a lower copay. If the need exists for the excluded medication, there is an appeals process for the member.

Vision Insurance Benefit Program – Faith Rentz (handout)

This plan is in the fifth and final year for vision benefits implemented in 2010. In May 2015, an RFP was released seeking interested vendors for vision benefit administration to be effective July 1, 2016. This is an employee pay all benefit and is available to approximately 55,000 active employees, pensioners and dependents. The Statewide Benefits Office (SBO) received bid responses from five vendors. In August, an analysis was conducted by the SBO with assistance from Segal Consulting and with no objection from the Proposal Review Committee (PRC), all five vendors were selected as finalists. The finalist interviews were conducted September and the PRC convened in mid-September to score the five finalists to put forth the recommendation to the SEBC to award the contract to EyeMed utilizing their Insight Network instead of the current Access Network with the proposed rates only increasing 2.5%. Director Visalli asked for any questions and thanked the PRC and the SBO staff for the work into this recommendation.

Treasurer Simpler asked if there is some identifiable cycles to our claims. Director Visalli stated the biggest variation is when we pay claims three times in one month versus two. We've never found anything statistically significant. Mr. Atkinson said on the incurred basis there are more sick times during the holidays and first of the year. Treasurer Simpler inquired in the last two months we went through over \$27M so should we be nervous? Director Visalli reminded that July and August revenues were not at the higher rate which went into effect September with the second open enrollment. In addition, in August, there were three ESI payments of \$5M payments each for a total of \$15M. This isn't reflective of a regular month payment of \$10M along with claims received in July from the previous year. We did get \$4.7M in rebates in September whereas in July and August, we only had \$1.7M in extra revenues for the coverage gap discounts. There will be more revenues in other months.

Public Comment

Ms. Karol Powers-Case, DRSPA commented about EGWP and how it was to save the State money but it doesn't appear to be and that it would cost retirees less but Express Scripts is the same for all. Karol also added her husband found eye glasses for a cheaper price from a place that didn't accept the EyeMed plan. Ms. Lakeman responded that premiums did go down from before EGWP to after EGWP, the premiums may still be less than FY13 when we went into the EGWP. We are making more money, getting more reimbursements from the federal government than we were from the retiree drug subsidy which was previously in place. Your formulary should be the same as there were no changes. The formulary is set by CMS but then we have an enhanced benefit on top of that. If there is some disruption, contact the SBO.

Mr. Dave Leiter asked for details on the administrative expenses shown in the Minimum Reserve History page of the Fund Reserve Analysis presentation (page 10). Mr. Atkinson replied basically the 10% was developed based upon the prior year's paid claims and expenses. Director Visalli added that these appear on the financial statements and can be made available as our administrative expenses are approximately 5% of the total plan and is a low cost plan. Mr. Leiter asked if possible to see proposed changes prior to the Task Force voting so we as a group are not blind-sided as with the 2012 changes. Mr. Leiter expressed concern with the newspaper reports on the costs going to private industry

standards and asked if the pay rates will reflect private industry standards and we need to keep the rates low for the low pay grades and the retirees that are on a budget. Director Visalli commented the Task Force has the responsibility to come up with recommendations only and the Director will issue a report of those recommendations.

With no further questions or comments, Director Visalli then requested a motion to approve the Vision RFP contract award recommendation. Mr. Cook made the motion and Controller General Morton seconded the motion. Upon unanimous voice vote, the motion carried.

Other Business

Director Visalli asked for any other business before the committee. Mr. Klopp expressed concern as to how the money is distributed whether it goes to Christiana Care or Nanticoke and believe he was told this information is not tracked in that manner. Is there any way we can obtain that information so we can break down how much money is spent with these vendors? Ms. Lakeman responded yes, it can be done. Ms. Rentz asked if interested in just the hospitals in Delaware and Mr. Klopp agreed and asked for a three year time period.

Commissioner Stewart asked if possible to get a list of the large claims and what reserve is being posted to each one. Director Visalli clarified if asking for the life span of a large claim and if it's going to repeat itself and Commissioner Stewart agreed. Ms. Lakeman added this information is being gathered.

Director Visalli stated the next SEBC meeting is scheduled for October 26, 2015. A motion to adjourn the meeting was requested. Controller General Morton made the motion and Treasurer Simpler seconded the motion. The meeting was adjourned at 3:37 p.m.

Respectfully submitted,

Lisa Porter
Executive Secretary
Statewide Benefits Office