State Employee Benefits Committee  
Tatnall Building, Room 112  
Dover, Delaware  19904

The State Employee Benefits Committee met October 23, 2017. The following people were in attendance:

**Committee Members:**
- Mike Jackson, Director, OMB, Chair
- Sandy Johnson, Secretary DHR
- Molly Magarik, Designee of DHSS
- Mike Morton, CGO
- Evelyn Nestlerode, Designee of Chief Justice, Administrator of Courts
- Keith Warren, Designee of Lt. Governor
- Ken Simpler, State Treasurer
- Stuart Snyder, Designee of Insurance Commissioner
- Jeff Taschner, DSEA

**Guests (continued):**
- Judy Grant, HMS
- Leighann Hinkle, SBO
- Fiona Liston, Cheiron
- Regina Mitchell, OMB
- Lori Peddicord, City of Dover
- Nathan Roby, OST
- Paula Roy, DCSN
- George Schreppeler, DCSN
- Christine Schultz, PGS
- Wayne Smith, DHA
- Margaret Tempkin, Cheiron
- Katherine Impellizzeri, Aetna
- Mike North, Aetna
- Wendy Beck, Highmark
- Peg Eitl, Highmark
- Pam Price, Highmark
- Walt Mateja, Truven Consulting
- Steve Shelton, Truven Consulting
- Kevin Fyock, Willis Towers Watson
- Jaclyn Iglesias, Willis Towers Watson
- Rebecca Warnken, Willis Towers Watson

**Guests:**
- Brenda Lakeman, Director, Statewide Benefits Office (SBO)
- Faith Rentz, Deputy Director, SBO
- Lisa Porter, SBO
- Andrew Kerber, DOJ
- Jennifer Bredemeier, Univ of DE
- Victoria Brennan, CGO
- Rebecca Byrd, The Byrd Group
- Lisa Carmean, City of Milford
- David Craik, Pension Office
- Cindy Diaz, PHRST
- Jacqueline Faulcon, DRSPA
- Katherine Impellizzeri, Aetna
- Mike North, Aetna
- Wendy Beck, Highmark
- Peg Eitl, Highmark
- Pam Price, Highmark
- Walt Mateja, Truven Consulting
- Steve Shelton, Truven Consulting
- Kevin Fyock, Willis Towers Watson
- Jaclyn Iglesias, Willis Towers Watson
- Rebecca Warnken, Willis Towers Watson

**Introductions/Sign In**
Director Jackson called the meeting to order at 2:01 p.m. Introductions were made.

**Approval of Minutes - handout**
The Director entertained a motion to approve the minutes from the September 25th SEBC meeting. Controller General Morton made the motion and Secretary Johnson seconded the motion. The motion carried.

**Director’s Report – Brenda Lakeman, Statewide Benefits Office (SBO)**
The Flexible Spending Account (FSA) Open Enrollment is November 1st through November 17th. Postcards were mailed out last week. The IRS released RR 2017-58 on October 19th increasing Health care FSA limit to $2,650 from $2,600. The SBO website and enrollment site will be updated to reflect this increase.

Commuter Transit/Van-Pool and Parking Reimbursement Accounts have a new maximum monthly contribution limit that increased from $255 in 2017, to $260 in 2018.

Double State Share (DSS) Open Enrollment is November 1st through November 17th. Letters have been mailed to contract holders. Return forms are to be sent to the HR offices with section completed to verify spousal information as DSS eligible.

Express Scripts (ESI) Formulary change effective January 1, 2018 with additional information in packets. Letters to be sent to impacted members this month with reminder emails late November if registered with ESI. Providers and network pharmacies will be notified by fax with reminders to be sent in December. If members try to fill excluded drug after January 1st, a rapid response letter will be sent and the provider will receive point of care alerts. There are 46 new excluded drugs impacting 902 patients. There are 9 preferred drugs moving to non-preferred with an impact to 122
patients. There are 6 drugs moving from non-preferred to preferred status for a positive impact to 28 patients. FY17 savings was $3.9M. Treasurer Simpler requested anticipated savings for CY18 changes.

**Employee Town Halls** were held on September 28th in Dover and October 11th at the Carvel Office building. There were over 200 attendees at each session between in person and livestream. Future meetings will be scheduled outside of regular working hours with the date(s) to be determined.

**OPEB Presentation** – handout - David Craik, Pensions Office
An overview of OPEB, “Other Post-Employment Benefits” which includes benefits other than pension plans was provided. Currently there are $355M in assets. The State provides 0%, 50%, 75% or 100% coverage of state share for retiree and dependents, based on the employee’s years of service as established in the Delaware State Code. There are 93.5% of retirees receiving 100% State Share. OPEB has over $219.9M in contributions with the sources shown in detail. Secretary Johnson inquired about the Actuaries Estimate Liability, if this reflects age in the workplace and what year projection is used as this slides shows only Actives now. Valuation results show $8.6M under Actuarial Accrued Liabilities with $8.2M under the Unfunded Actuarial Accrued Liabilities. There are not many plans funded like Delaware’s OPEB. Impact on OPEB due to GASB 74/75 and based on a 3.5% interest rate was shown. The interest rate required under GASB 74/75 is expected to change every year as reflected in the illustrated chart. Dialogue continued around the projections. Director Jackson shared there is legislative language which allows the GHIP to allocate funds to OPEB. Mr. Craik stated in the 1970’s there was no funding for the pension plan where now the pension fund is 85% funded. Onward, will review long term OPEB funding options and benefit design changes to lower the liability.

**FY19 Planning** – handout – Willis Towers Watson Team
Director Jackson reiterated the long term forecast and as agreed at the last meeting to dive into multiple options available and use the next series of meetings to look forward to manage the Adjusted Net Income (Revenue less Expenses/Excise Tax) where the overall balance is forecasted to bring in about $14M more than what is expected to be paid out. When we net the claims liability and minimum reserve, the net fund surplus is forecasted to grow from $25M in FY17 to $36M in FY18. Looking forward into FY19 through FY22, a deficit appears and is expected to grow at a rate around 5%. Options need to be focused on reducing expenses. Ms. Lakeman added the excise tax, also known as the Cadillac tax, is still in place for 2020 and this line item was added to reflect that potential liability through FY23. Ms. Warnken added even though this amount is not a large number for FY18, it will grow. Comments on the levels for individual or family threshold were discussed which will be adjusted annually. The intent for potential increases based upon demographics of the plan population, analysis or estimate needs to be done to elevate the threshold that impacts potential exposure. It was suggested to look at FY19 with a different variations as the dollars can grow quickly. It was shared that the operating expenses were defined at a 5% rate, however FY17-18 shows an 8% increase in operating expenses and FY18-19 is 6.35% so a higher rate than the stated 5% has been applied. Ms. Warnken stated WTW did bend the trend curve based on other changes that were implemented to date causing impact on where we have been and the current fiscal year. It is expected that some of the changes already implemented will have a downstream impact. Ms. Lakeman added it is also a blended rate of the medical and Rx.

Kevin Fyock shared the different tactics for affecting change to shrink the pie. Eight savings opportunities were identified with exercises for each opportunity presented by Ms. Iglesias followed by the timeline of the focal points for the SEBC. Ms. Iglesias provided more in-depth detail on the site-of-care steerage. To maximize the success of rolling out any HSA plan, the State should consider implementation for a January 1st effective date. Mr. Taschner requested that in terms of changed behavior and changes in the site-of-care steerage with high tech imaging and urgent care, he would like to know what the actual savings is against the projected savings. Ms. Lakeman shared the savings are above the projections and will provide that detail at next month’s meeting. Director Jackson added the site-of-care steerage has the potential of being an initiative to implement. Other committee members agreed. It was requested to remove Design 4 off the chart as it will negatively impact members where Design 1 and 2 will ultimately create change in behavior. Design 3 will least alter members’ behavior.
Secretary Johnson shared this is an opportunity to take the plan and market it with these changes, as there are people out in various areas not aware of the difference in costs and the need to create a culture of behavioral change making it an everyday conversation for the next six months. Regarding the assumptions for movement based on site-of-care steerage, Mr. Fyock will refer back to the carriers, yet assumes certainly less than 75% in reference to the maximum.

Centers of Excellence (COE) was discussed next where 44% of employers use COE today as it is a growing trend as employers look for ways to steer people towards the highest quality providers. While Highmark and Aetna both offer COEs for a wide variety of procedures, there exist several carved-out vendors that can administer a COE network but not in our immediate area right now. SEBC should continue to monitor the marketplace for developments and consideration of future vendor exploration. Discussion continued regarding COEs and how can we use them to maintain quality of care and drive down costs to the overall plan by introducing competition. Dialogue occurred if members were sent to health care centers outside of the State, this would have an effect on those providers in Delaware. A historical view of a 24 month period of time of GHIP experience for all cardiac, knee/hip and spinal procedures accessible through Highmark COEs was presented showing 58% of procedures were performed at non-COE facilities due to a lack of orthopedics COEs here in Delaware. Recommendation for FY19 would be to adopt the Orthopedic and Spine COEs for both Highmark and Aetna. Dialogue occurred around Delaware’s domestic providers who may lose those iterations as members are sent out of State for care. Input from the TPA’s was requested. Ms. Magarik expressed concern for those members not going to a COE currently, this will create a big culture shift, with only 75% covered for these services at a non-COE. The Director asked for an illustrative example. WTW stated we cannot do customization within COE to target, for example, only joint replacements and agreed more discussion on COEs is needed. Jeff Taschner suggested the possibility of tying in a HRA as an incentive. This may present administrative difficulties but more information to be provided. Secretary Johnson asked for more numbers to create a benchmark on site of care steerage. For example if we moved a certain number of individuals to steerage versus a hospital, in order to create this benchmark, making it more actual versus aspirational.

Reference-Based Pricing (RBP) reviewed as covered in last meeting would be the most disruptive to the member population. Both vendors today, Aetna and Highmark are able to administer RBP yet their customer based utilizing RBP is relative limited in large part to the potential of member impact to balance billing. Illustration shows types of liability for Upper GI Endoscopy that can range from $40 to $600 and Outpatient imaging from $600 to $3,000 as being very significant. Potential for member disruption is significant until a mechanism is in place to prevent or a solution to solve the balance billing. RBP has no quality metric in place, primarily focused on cost. WTW was asked if there are other items within the plan to address with site-of-care steerage to follow similar strategy and drive down spend. WTW to poll carriers to confirm as it may also require a level of customization.

Director Jackson suggested the cost transparency tools with scenarios on the financial side to be continued at the November meeting with more discussion on COE to be effective maybe January 1st or July 1st of following year to begin building a model for SEBC to view.

Active Enrollment major points were presented to initiate discussion within SEBC to reach a decision sooner than later due to significant preparation in education and technical system updates. This would require benefit-eligible employees to make an enrollment election or waive coverage, updating contact information and to engage members in their options for their benefits. Jeff Taschner asked WTW to find out if there are any sizeable plans out there that engaged on the initiative to increase the knowledge of plan members for better decisions on management and use of the plan. Kevin stated there are opportunities as with myBenefitsMentor to steer people to the right plan and also use an underlying education mechanism alongside transparency tools. Ms. Magarik added from a recent forum it was broadly stated the biggest uptick is when people have money at stake with out-of-pocket costs. Mr. Craik asked to exempt the retirees as they have no system to check anything. Director Jackson added this is an absolute key to the engagement piece and there is language in the budget act for an employee to actively select their preferred plan which provides this Committee the authority to choose the plan if the employee does not engage in the enrollment process.
Spousal Coordination of Benefits Policy – handout – Brenda Lakeman, SBO
The purpose and intent for this policy was reviewed along with previous revisions and the proposed changes consisting of adding language for more clarification. Since 2005, this form is required each year for actives and non-Medicare retirees to complete and submit to SBO. The revised policy and chart will be sent out to committee members for a vote at the November or December meeting.

Public Comments
Mr. Wayne Smith, DHA suggested in regards to an active enrollment to consider those members on medical leave and short term disability that may not be able to access via online tools.

Motions
None

Other Business
None

Director Jackson announced the next meeting is scheduled for Monday, November 13th and then requested a motion to adjourn the meeting. Secretary Johnson made the motion and Ms. Magarik seconded the motion.

Meeting adjourned at 4:33 pm.

Respectfully submitted,

Lisa Porter
Executive Secretary
Statewide Benefits Office