



# Retirement Benefit Study Committee

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August 30, 2021

# Agenda

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- Additional Explanation on Benefit Options
- Liability Pre-Funding Options
- Funding and Benefit Reform Combination Impacts
- Discussion and Next Steps
- Public Comment and Adjourn

# GHIP Medicare Pensioner Plan

## Current plan design

2021 Plan Year Provisions (in-Network)	Medicfill Plan
<b>Medical</b>	
Third Party Administrator	Highmark
Plan Type	Medicare Supplement
Deductible (Individual / Family)	None
Coinsurance	100% of Part B coinsurance differential, after Part B deductible <sup>1</sup>
Out-of-Pocket Maximum (Individual / Family)	None
Primary Care Physician Office Visit	100% of Part B coinsurance differential, after Part B deductible
Specialist Office Visit	
<b>Prescription Drug<sup>2</sup> – (Retail / Mail-Order)</b>	
Prescription Benefits Manager	Express Scripts (until 12/31/2021) CVS Health (effective 1/1/2022)
Plan Type	Employer Group Waiver Plan (EGWP)
Out-of-Pocket Maximum (Individual / Family)	None <sup>3</sup>
Generic	\$8 / \$16
Brand Formulary	\$28 / \$56
Brand Non-Formulary	\$50 / \$100
<b>Cost Share Strategy</b>	
Cost Share (State / Retiree)	95% / 5% <sup>2</sup>

1. Plan fully covers medical out-of-pocket costs not covered by Medicare Part B, other than the Part B premium

2. Prescription drug copays and 5% premium cost share applies for pensioners retiring on or after 7/1/2012; State share is 100% for pensioners retiring before 7/1/2012; State pays 100% of State Share for pensioners with 20+ years of service

3. Catastrophic Coverage: After yearly out-of-pocket drug costs reach \$6,350, retirees pay the greater of 5% coinsurance or from \$3.40 to \$8.50 copayment per script based on drug tier

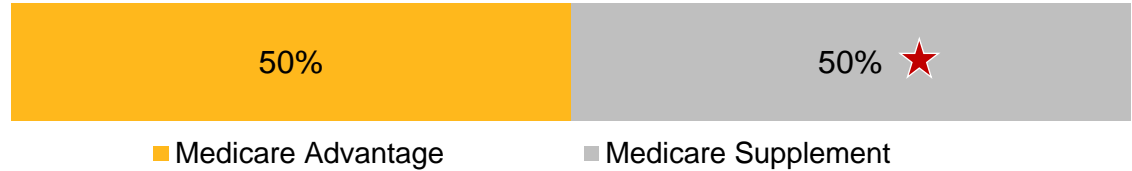
# GHIP Medicare Pensioner Plan

## Plan design benchmarking: Medicare-eligible retirees (highest enrolled plan)

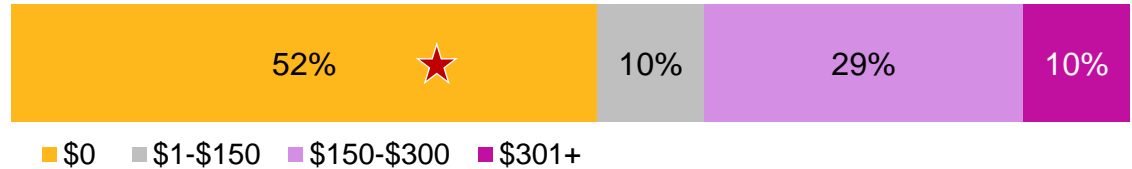
Note: Individual Marketplace/Exchange plans are not included in plan provision benchmarking, as retirees can select from a large variety of plans available in the marketplace.

★ Delaware GHIP

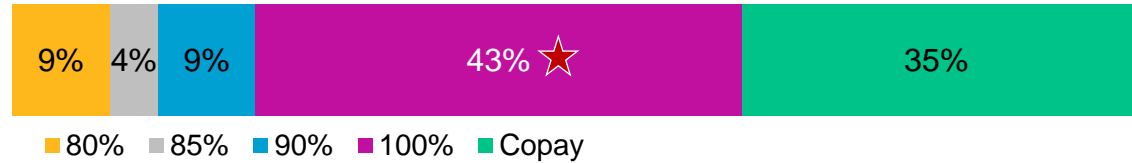
Highest enrollment plan type



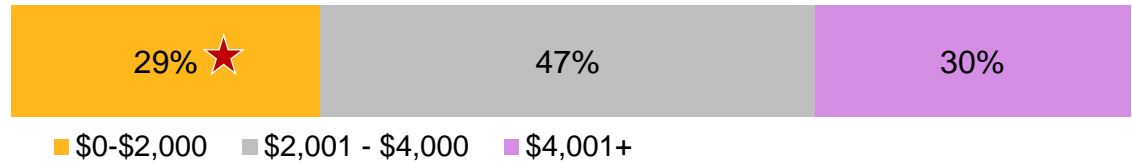
In-network individual deductible



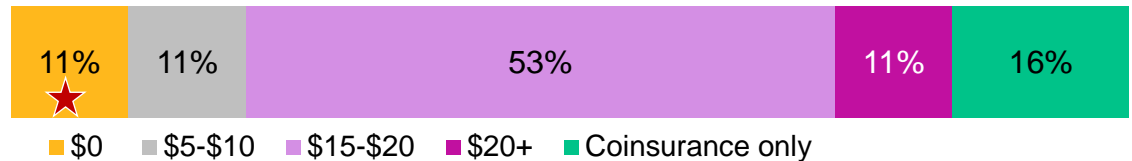
In-network coinsurance



In-network individual out-of-pocket maximum



Primary care physician (PCP) copay



Excluded states that only provide coverage through Exchange/Marketplace

## GHIP Medical TPA RFP

- Bidders were asked for proposals to administer the Special Medicfill Medicare Supplement plan, which is the current medical plan option offered to Medicare pensioners
- Bidders also had the option to submit proposals for their capabilities to administer group Medicare Advantage plans, both with and without prescription drug coverage
- Two bidders submitted proposals for administering the Special Medicfill Medicare Supplement plan and Medicare Advantage plans (both with and without prescription drug coverage)
- The SEBC will be voting on a contract award in either November or December 2021

# Post-65 group medical plan summary

Plan type	Description	Current state	Future state
Medicare Supplement* and Coordination of Benefit (COB) plans	<ul style="list-style-type: none"> <li>▪ Employer-sponsored plans that provide benefits secondary to Medicare</li> <li>▪ No federal funding</li> <li>▪ Generally self insured for larger employers</li> <li>▪ Employer sets plan design</li> </ul>	<ul style="list-style-type: none"> <li>▪ Shrinking enrollment in recent years due to advent of Medicare exchange approach driving enrollment in individual coverage</li> </ul>	<ul style="list-style-type: none"> <li>▪ Continued shrinkage as employers continue shift to exchange plans or convert to group MA plans</li> <li>▪ Enrollment will decline as older members of closed groups pass away</li> </ul>
Group Medicare Advantage (Group MA)	<ul style="list-style-type: none"> <li>▪ Private group plans that replace Medicare Parts A and B</li> <li>▪ Always fully insured</li> <li>▪ Significant federal funding covers lion's share of cost</li> <li>▪ Minimum design standards set by Centers for Medicare and Medicaid (CMS)</li> <li>▪ Wide latitude for employer custom design</li> </ul>	<ul style="list-style-type: none"> <li>▪ Enrollment over 3m as group MA plans can often match current benefits at lower cost</li> <li>▪ Many employers offer group MA plans as a full replacement passive Preferred Provider Organization (PPO) that minimizes network disruption</li> <li>▪ Major group MA insurers: UHC, Humana, Aetna</li> </ul>	<ul style="list-style-type: none"> <li>▪ Good fit for employers with substantial post-65 groups where movement to a Medicare exchange is not feasible</li> <li>▪ Stability and growth predicated on continuing favorable federal funding</li> </ul>

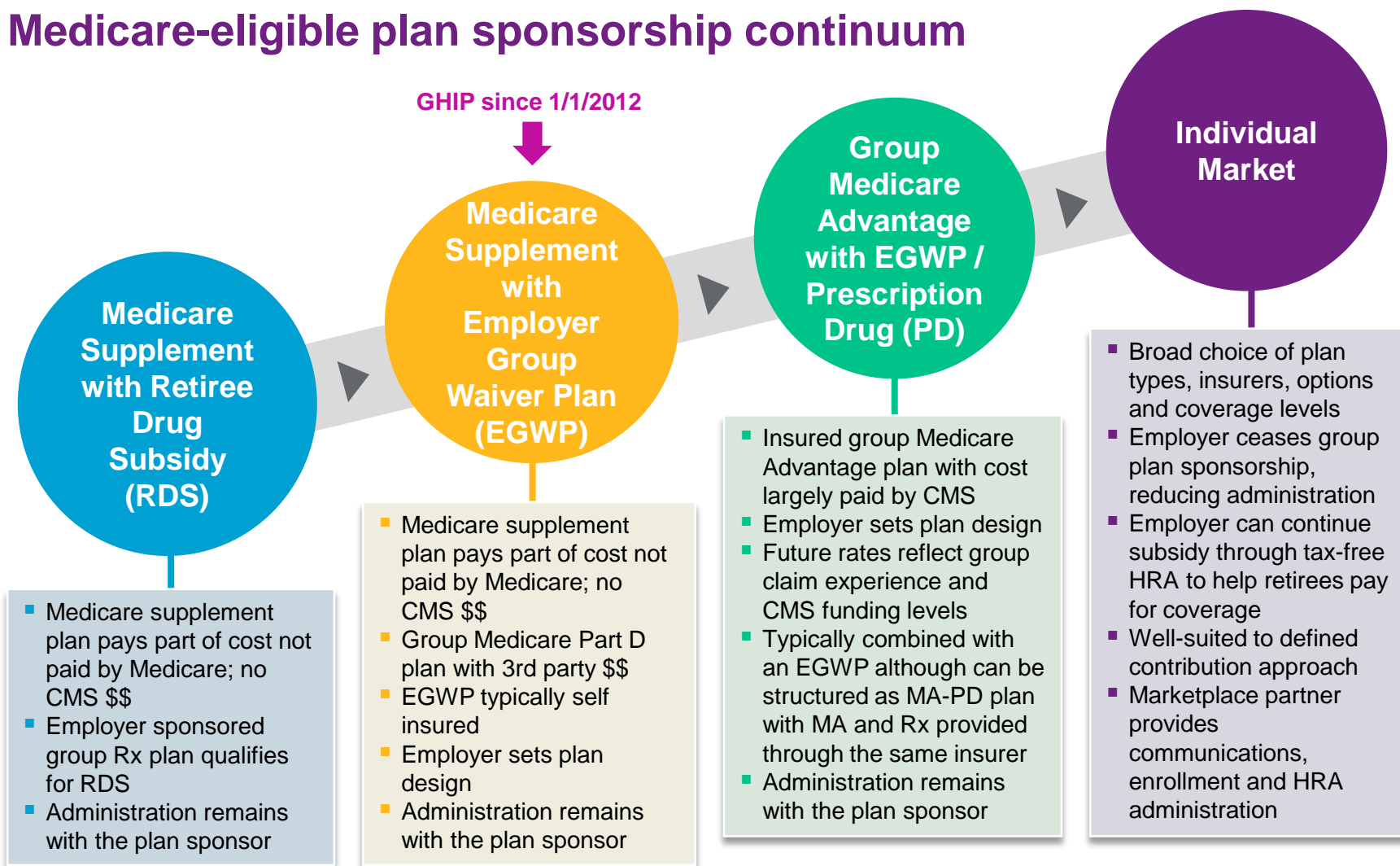
\*GHIP Medicfill plan is a Medicare Supplement plan

## Post-65 group medical plan summary (continued)

Plan type	Description	Current state	Future state
Medicare Marketplace	<ul style="list-style-type: none"> <li>Employer provided Health Reimbursement Account (HRA) funding, which retirees can use to purchase coverage in the marketplace</li> <li>Can use HRA for premiums (including Medicare Part B premium) or other eligible expenses</li> <li>Retiree can choose best performing plan (Medicare Advantage, Medigap + Part D) from best performing carrier</li> </ul>	<ul style="list-style-type: none"> <li>Very large risk pools (58 million retirees enrolled in Medicare), and growing</li> <li>Best-in-market plans with choice</li> <li>Carriers compete on price (low single-digit historical rate increases)</li> <li>Guaranteed issue</li> </ul>	<ul style="list-style-type: none"> <li>Continued growth due to administrative ease and plan sponsor cost certainty (HRA can be fixed or indexed)</li> </ul>

- Per Delaware statute, the State Employee Benefits Committee (SEBC) is tasked with deciding the types of Medicare options available to Delaware retirees
- SEBC and RBSC must work together to identify future state of GHIP Medicare options
- Moving to Medicare Marketplace requires separate Request for Proposal; timing for move to Medicare Marketplace likely no sooner than January 1, 2023

# Medicare-eligible plan sponsorship continuum



## Evolution of Medicare Options



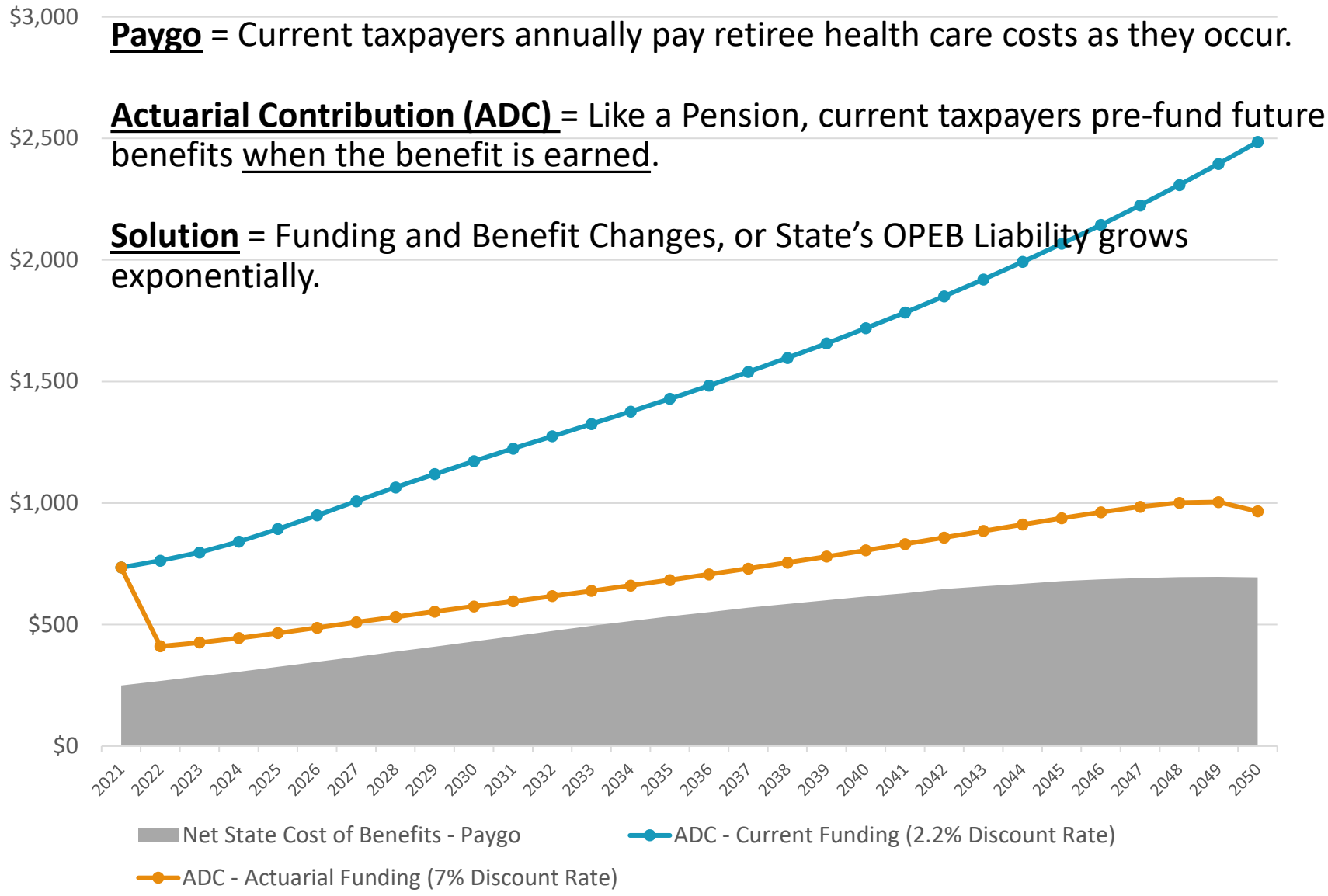
# Employer experience and responsibilities - Group MAPD vs. Medicare Marketplace

Function	Group Medicare Advantage	Medicare Marketplace
<b>Rates and Pricing</b>		
Carrier relationship management	Plan Sponsor	N/A
Carrier negotiations, requests for proposals	Plan Sponsor	N/A
Audits	Plan Sponsor	N/A
Plan design and coverage decisions	Plan Sponsor	N/A
<b>Carriers and Networks</b>		
Manage annual open enrollment	Plan Sponsor	N/A
Develop and distribute annual communications	Plan Sponsor	N/A
New retirement packets	Plan Sponsor	<b>Joint task</b>

# Retiree experience — Group MAPD vs. Medicare Marketplace

Function	Group Medicare Advantage	Medicare Marketplace
<b>Rates and Pricing</b>		
Share in Savings	No	Yes
Rate Sustainability	Significant rate fluctuations and increases	More than a decade of single digit rate increases
Retiree Flexibility with plan sponsor subsidy	No – premium subsidy only	Yes – use the subsidy for premiums, Medicare Part B premium or other eligible expenses
<b>Carriers and Networks</b>		
Insurance Carrier	One or two carrier options	Multiple options – choose the most affordable carrier
Provider Network	Single provider network	Multiple network options – or no network
<b>Products and Benefits</b>		
Product	Medicare Advantage only	Multiple options – choose a Medicare Advantage or Medigap paired with a Medicare Part D
Enhanced Benefits	Yes – one set	Yes. Different enhanced benefits from different carriers – choose the benefits that matter to you
Change Plans as Health Needs Change	No	Yes
Pharmacy Benefits	One formulary	Multiple formulary options retiree chooses. An optional subsidy available to cap retiree drug costs.

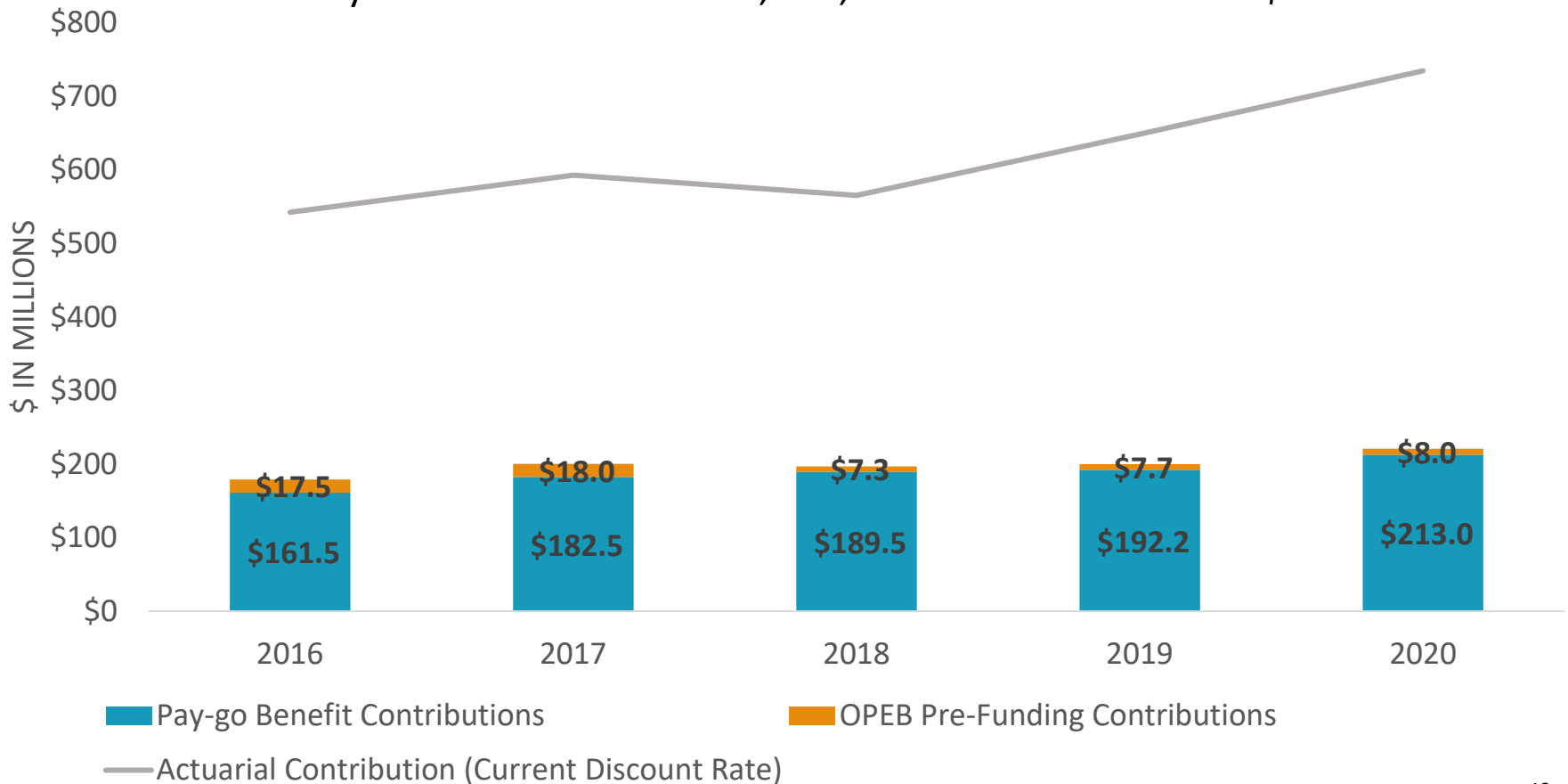
# The State's OPEB Liability Grows Exponentially without Funding and Benefit Changes



# A History of OPEB Funding

## Fiscal 2020 Operating Budget:

Trust Contribution 0.36% of Payroll:	\$8.0 million
Pay-go (Benefit) Contribution 9.33% of Payroll	\$213.0 million
Current Actuarial Contribution to Pre-Fund Benefits:	\$734.8 million
Covered Payroll from all sources GF, ASF, Federal:	\$2.2 billion



# Enhanced Funding Proposal –Partially Pre-fund OPEB Trust

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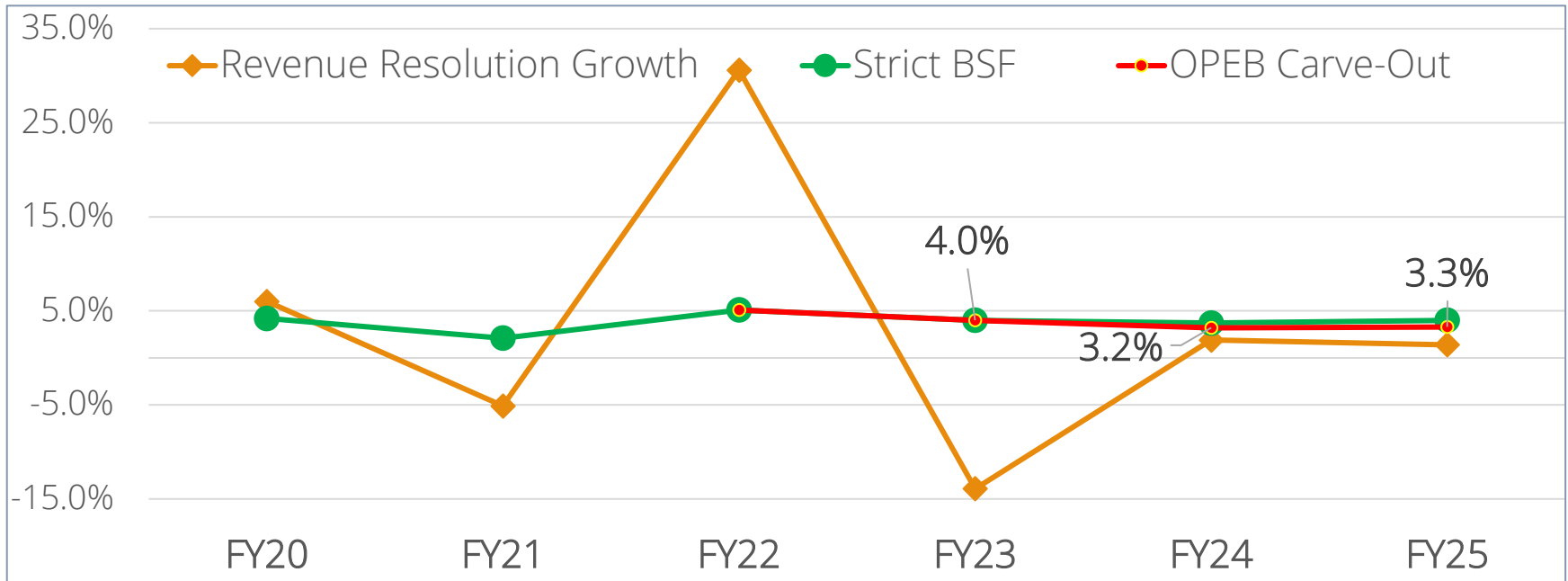
- Consider more frequent “Escheat–Special Fund” transfers to the OPEB Trust Fund (Section 16 of 2022 Bond Bill)
- Consider an OPEB Trust Fund Carveout (~1%) within the framework of the advisory Budget Benchmark Appropriation and Index (Executive Order 21)
- Pre-funding enables actuary to apply a discount rate using a blend of municipal debt borrowing costs and investment returns \*

*\* Actuarial rule is based on 1) projected contributions, 2) availability of assets to fund benefits, and 3) statutes and adopted practices, with 5-year history of actual contributions weighed as a “key indicator of future contributions”*

- When combined with benefit changes, higher discount rates can be applied

# Annual OPEB Funding and the BSF:

## A Carve Out from the BSF Calculation



Carve Out			
Fiscal Year	BSF	OPEB Trust	Supplemental
2022	\$287.3	\$0.0	\$913.4
2023	\$287.3	\$47.7	\$59.7
2024	\$245.0	\$49.6	\$49.6
2025	\$208.3	\$51.2	\$51.2

Strict BSF			
Fiscal Year	BSF	OPEB Trust	Supplemental
2022	\$287.3	\$0.0	\$913.4
2023	\$287.3	\$0.0	\$116.7
2024	\$269.9	\$0.0	\$49.6
2025	\$220.0	\$0.0	\$51.5

# Pre-Funding and Budget Stabilization

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- **PROS**

- Fiscally Prudent

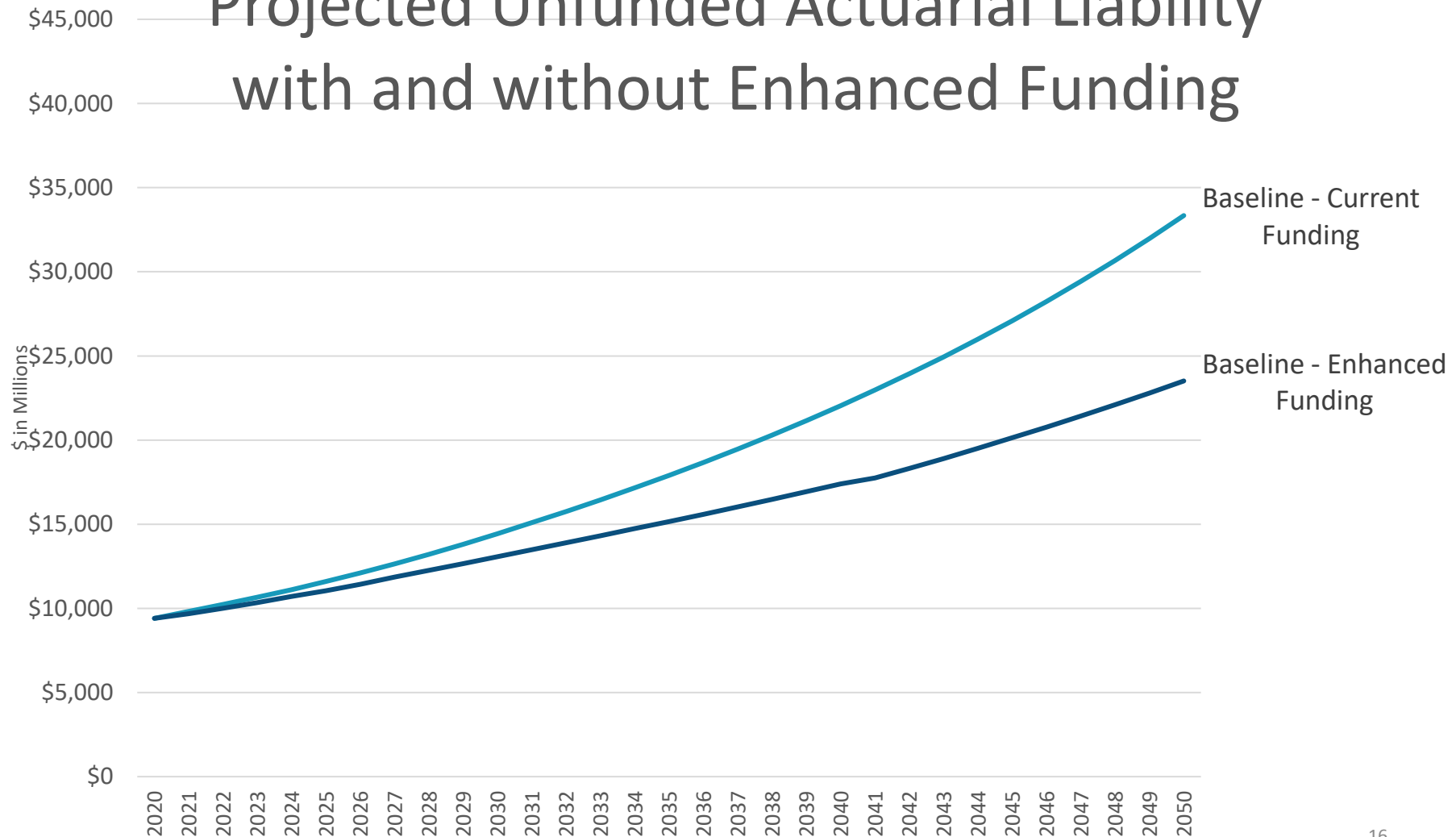
- Places OPEB liability as “non-negotiable” (similar to debt service and pension contributions)
- Provides a meaningful, automatic and sustainable mechanism to ensure OPEB funding keeps pace with budget growth
- Provides a mechanism for periodic jolts using extraordinary revenue to accelerate the funding ratio

- **CONS**

- Additional complexity to Benchmark Framework

# Increased Funding Alone Improves but does not Solve the Liability Challenge

## Projected Unfunded Actuarial Liability with and without Enhanced Funding



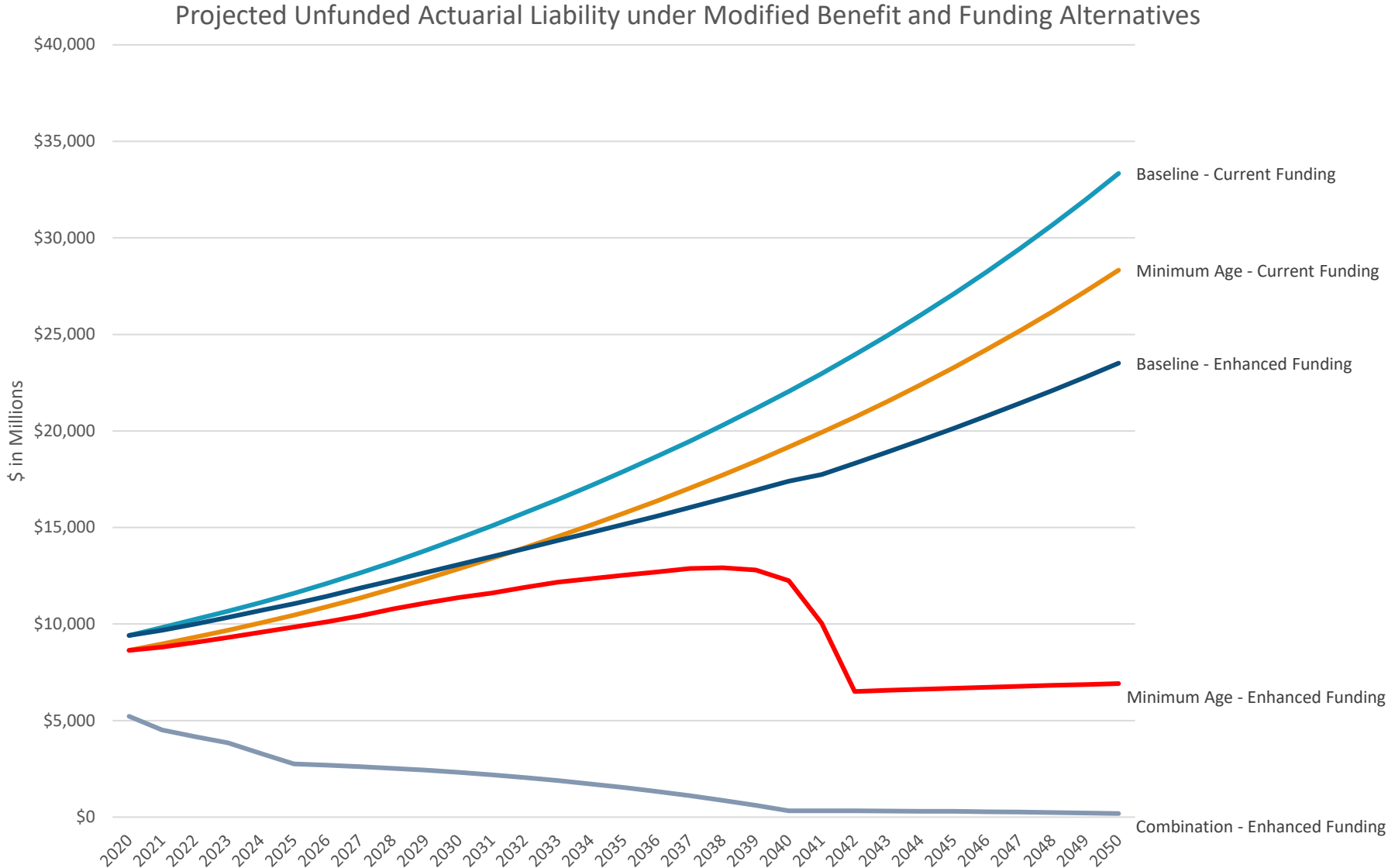
Source: Preliminary estimates by Cheiron



# Combinations of Benefit Modifications and Additional Funding Significantly Reduce OPEB Net Liability

		2050 Projection					
		Total Benefits	ADC	Accrued Liabilities	Trust Assets	Funded Ratio	Discount Rate
Current Funding	Baseline	\$787	\$2,486	\$36,876	\$3,535	9.6%	2.2%
	Eliminate Future Terminated Vesteds	\$743	\$2,383	\$35,369	\$3,535	10.0%	2.2%
	Graduated State Share Based on YOS	\$787	\$2,084	\$31,326	\$3,535	11.3%	2.2%
	Minimum Required Age 60/ 55	\$690	\$2,078	\$31,866	\$3,535	11.1%	2.2%
	HRA (2% Increase)	\$566	\$1,105	\$16,963	\$3,535	20.8%	2.2%
	Reduce Spousal Subsidy for Future Retirees	\$681	\$2,070	\$31,626	\$3,535	11.5%	2.2%
	Combination	\$379	\$636	\$10,586	\$3,535	33.4%	2.2%
\$0 million/ \$47 million Funding	Baseline	\$787	\$2,024	\$33,424	\$9,917	29.7%	3.0%
	Eliminate Future Terminated Vesteds	\$743	\$1,880	\$31,451	\$9,917	31.5%	3.1%
	Graduated State Share Based on YOS	\$787	\$788	\$17,185	\$9,917	57.7%	7.0%
	Minimum Required Age 60/ 55	\$690	\$746	\$16,831	\$9,917	58.9%	7.0%
	HRA (2% Increase)	\$566	\$337	\$11,055	\$9,917	89.7%	7.0%
	Reduce Spousal Subsidy for Future Retirees	\$681	\$773	\$16,882	\$9,917	58.7%	7.0%
	Combination	\$379	\$142	\$5,859	\$5,670	96.8%	7.0%
	Group Medicare Advantage w EGWP for Rx	\$712	\$1,652	\$28,027	\$9,917	35.4%	3.3%

# Combination of Benefit Modifications and Additional Funding Significantly Reduce OPEB Net Liability



Source: Preliminary estimates by Cheiron

# Agenda (continued)

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- Discussion and Next Steps
- Public Comment
- Adjourn