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March 21, 2025

Chair Brian Maxwell, OMB Director
State Employee Benefits Committee

**RE: DHA State Employee Benefits Committee (SEBC) Public Comment**

On behalf of Delaware's hospitals and health systems, thank you for the opportunity to offer public comment.

Last year, this committee voted to increase rates by 27%. As the committee considers further rate increases to keep up with rising costs within the state health plan, DHA would like to take the opportunity to:

1. Encourage SEBC members to look at the data that reflects the drivers of rising costs in Delaware's state health plan – primarily pharmaceutical costs – when looking for solutions;
2. Share additional information about rising healthcare costs nationally and some of the additional challenges we face in Delaware that contribute to costs; and,
3. Request that the SEBC consider collaborative approaches involving all sectors of the healthcare system to work on solutions that address not only healthcare affordability but also improve healthcare outcomes.

## 1. Drivers of Healthcare Costs for the State Plan

As has been the case since the start of FY24, SEBC consultants have consistently pointed out that the state health plan's rising cost trends have been driven by increasing costs on the pharmaceutical side, in large part due to increasing utilization of GLP-1 drugs.

- The SEBC's most recent key trends report from November 2024 states that the plan's year over year allowed amount increase of 11.3% was "driven by a 21.2% increase in allowed amount for prescription drugs". At the same time, inpatient medical costs increased only 2.1%.
- The state health plan paid over $12 million more in GLP-1 utilization for weight loss in FY24 than expected and utilization of these medications is expected to increase 148% in FY25 according to SEBC consultants.
- Trend assumptions for pharmaceutical claims for FY25 are projected to reflect an increase of 29% for the active employee and pre-65 retiree population.

In addition, like the rest of our state, the state health plan population is not as healthy as the rest of the nation, contributing to higher healthcare costs. During the January 2023 SEBC meeting, a

presentation by SEBC consultants on "Cost and Utilization Analysis" (slide 5) showed that the prevalence of most leading conditions for the Group Health Insurance Plan (GHIP) to be "significantly above" the MarketScan State Government benchmarks. For example, Delaware's state plan has 53.9% more cases of depression, 47.8% more cases of anxiety, and 41.8% more cases of osteoarthritis than other states. In fact, out of more than a dozen prevalent conditions, there was only one condition that Delaware had lower rates of than the rest of the nation.

The state plan experience is not unlike the rest of the state where we face higher rates of chronic disease and conditions than the rest of the nation that contribute to higher costs to care for these conditions in Delaware. We are the 6th oldest state in the nation. Delaware also has the 8th highest rates of adult obesity, the 9th highest rates of diabetes, and the 15th highest rates of cancer prevalence in the nation. It costs significantly more to care for those with these conditions.

Finally, as the SEBC consultants have pointed out in past meetings, Delaware's health plan is much richer than national benchmarks. As of January 2023, the GHIP plan design was at 96% in terms of actuarial value, compared to the public sector benchmark of 91%. SEBC consultants at the time also highlighted that "the State has richer plans than the overall database (employees pay less in out-of-pocket expenses at the point of care)" and "the State also subsidizes its plans at a higher rate than the benchmark averages."

We would ask that the SEBC continue to review the data that shows what is contributing to the costs of the state plan when considering future solutions to address health plan costs.

**2. Rising Healthcare Costs Nationally**

While we are focused on rising healthcare costs in Delaware, it's important to keep in mind that this is not happening in a vacuum. National experts are projecting that health care costs will increase nationally as much as 9% in 2025. These cost estimates are driven by a number of factors. PwC and Willis Towers Watson have published reports identifying the drivers of these increases to be: inflationary pressure, pharmaceutical/prescription drug spending, and behavioral health utilization. Other healthcare cost drivers cited by national experts include: cancer costs and severity, workforce shortages, and an aging population. We encourage you to review the attached presentation DHA shared with the DEFAC Health Care Spending Benchmark Subcommittee in November 2024 for additional information on this issue.

### 3. Working Collaboratively to Address Healthcare Costs and Outcomes

Healthcare costs are rising and hospitals are working hard to address affordability, access, and quality – something very important to us since Delaware is currently ranked #2 best in the nation for hospital quality.

For example, our hospitals are investing significantly in primary care and behavioral health – and losing more than $70 million annually as these are not profitable service lines due to inadequate insurance reimbursement -- to help keep people healthier and prevent costly hospital visits.

Our hospital members are also participating in value based care arrangements that focus on improving health outcomes. Most recently, it was announced that ChristianaCare's Delaware Medicaid Partners Accountable Care Organization (ACO) has reduced health care spending by $6.2 million in 2023 while improving care for nearly 30,000 Medicaid beneficiaries in Delaware. Additionally, Nemours Children's Health and the State of Delaware recently announced the first-ever pediatric global revenue budget model that aligns the financial incentives that pay for healthcare with Nemours' aim to keep children healthy.

We are committed to doing our part, but we can't do it alone. We encourage the SEBC and state partners to work with stakeholders from all sectors of the healthcare system on collaborative approaches that would address healthcare affordability and improve health outcomes.

Hospitals do not currently have a seat at the SEBC, so we felt it important to share this perspective with you.

Thank you for the opportunity to share DHA's comments.

Sincerely,



Christina Bryan
Vice President, External Affairs