

AGENDA ITEM DETAILS

Subject: Review and Discussion of the future of the Medicare Advantage Health Maintenance Organization Plan

Background

The Texas Employees Group Benefits Program (GBP) currently offers a medical-only Medicare Advantage health maintenance organization plan (MA HMO Plan) to Medicare-primary Participants in the eight county Houston Service Area. For purposes of the MA HMO Plan, ERS requires the carrier to fully insure the plan, provide all operational services and provide a robust provider network. The MA HMO Plan design is unique to ERS, offering zero or minimal out-of-pocket costs for Medicare-covered services and supplies. Additionally, the carrier must provide benefits equal to or greater than HealthSelect of Texas® which coordinates benefits with Medicare. Prescription drug coverage is provided through the HealthSelect Rx plan and not provided through the MA HMO Plan.

Current Contract

Since September 1, 2011, ERS has contracted with KelseyCare Advantage Medicare health maintenance organization (MA HMO) to provide the MA HMO Plan in the Houston Service Area under a contract that terminates on December 31, 2020.

Issuance of Solicitation

On October 31, 2019, ERS issued a RFP seeking a qualified Medicare Advantage HMO in the Houston Service Area, to underwrite and administer the medical-only MA HMO Plan for a six-year term in accordance with additional contract terms as may be applicable.

Response to Solicitation

ERS received a proposal from KelseyCare Advantage MA HMO. There were no other proposals.

Evaluation

The KelseyCare Advantage MA HMO proposal met the requirements of the RFP including confirmation that they would negotiate rates as provided in RFP Article XI. (Price Proposal). The Price Proposal specifies important provisions concerning premium rates, including the following items:

- A.3. **Premium Rates.** ERS and MA Carrier will negotiate Plan Premium rates each year prior to the beginning of FE (Fall Enrollment). ERS will specify the timing of the rate negotiations.
- A.3.c. Each year, ERS will compare MA Carrier's proposed Premium rate versus the cost of providing benefits through HealthSelectSM Secondary and HealthSelect MA PPO. The annual Premium rates proposed by MA Carrier must provide savings to the GBPSM as determined by ERS. ERS will continue the process of evaluating MA Carrier's proposed rate using ERS' own geographic, demographic and health status selection assumptions. Based on this analysis, ERS will determine whether, in ERS' sole opinion, the proposed Premium rate provides adequate savings.
 - C.4. **Rate Negotiations.** ERS and MA Carrier will negotiate the Premium rates for each calendar year on or before July 1 preceding the beginning of the applicable calendar year.

MA HMO Rate Negotiation

In accordance with requirements of the RFP, the GBP staff and the consulting actuaries have conducted premium rate negotiations with KelseyCare Advantage MA HMO for Calendar Year (CY) 2021. These negotiations have proceeded as follows:

1. KelseyCare Advantage MA HMO opened the negotiation on July 1, 2020, with a proposed premium rate that was significantly higher than HealthSelectSM MA PPO premium rate.
2. ERS indicated that the proposed rate was being evaluated in comparison to the CY21 rate for HealthSelect MA PPO as provided in RFP Article XI.A.3.c (see above). At the time of the negotiation, ERS was not at liberty to disclose the CY21 HealthSelect MA PPO rate, but did advise that it is less than 50% of the rate proposed by KelseyCare Advantage MA HMO.
3. ERS further advised KelseyCare Advantage MA HMO as follows:
 1. The General Appropriations Act includes a Rider (GAA Rider) applicable to the legislative appropriation to ERS for the GBP that specifies the following:

“In no event shall the total amount of state contributions allocated to fund coverage in an optional health plan exceed the actuarially determined total amount of state contributions required to fund basic health coverage for those active employees and retirees who have elected to participate in that optional health coverage.”
 2. Under ERS rules, HealthSelect MA PPO is considered the basic coverage for Medicare-primary participants; i.e., it is the plan in which they are enrolled if they do not make an affirmative election of an optional health plan (currently HealthSelect Secondary or KelseyCare Advantage MA HMO).
 3. In order to maintain compliance with the Rider, ERS could not recommend approval of the KelseyCare Advantage MA HMO proposal unless they reduced their rate by at least 50%.
 4. On July 8, 2020, KelseyCare Advantage MA HMO submitted a revised rate. Though the revised rate is lower than the original proposal, it is still more than 100% higher than the MA PPO rate for CY21.

Conclusion and Recommendation

Since KelseyCare Advantage MA HMO's proposed rate is significantly higher than the rate for HealthSelect MA PPO, the basic health plan for Medicare-primary participants, inclusion of KelseyCare Advantage MA HMO in the GBP as an optional health plan for CY21 would prevent compliance with the GAA Rider.

Accordingly, GBP staff and the consulting actuary do not recommend acceptance of the KelseyCare Advantage MA HMO proposal to provide a medical-only MA HMO Plan for GBP Medicare-primary participants in CY21. Following acknowledgement by the Board, the current contract with KelseyCare Advantage MA HMO will terminate on December 31, 2020.

Transition

Since the KelseyCare Advantage MA HMO proposal is not recommended for CY21, ERS staff initiated internal transition discussions to facilitate enrollment of those KelseyCare Advantage MA HMO participants as of December 31, 2020, (approximately 1,700) in an alternate GBP plan effective January 1, 2021, without evidence of insurability. Current KelseyCare Advantage MA HMO participants will need to enroll in either HealthSelect MA PPO or HealthSelect Secondary. Since KelseyCare Advantage MA HMO physicians do not participate in either of these plans, participants will have to select new physicians. Information about options, transition and cost will follow.

This agenda item is presented for discussion and informational purposes only.