

AGENDA ITEM DETAILS

Subject: Review, Discussion and Consideration of the Proposed Rates for HealthSelectSM and Consumer Directed HealthSelectSM Plans, with rates inclusive of plan changes for Fiscal Year 2022 – (ACTION)

RECOMMENDED ACTION:

Move that the Board of Trustees of the Employees Retirement System of Texas approve the proposed FY22 HealthSelect of Texas® and Consumer Directed HealthSelect contribution rates, inclusive of the recommended plan changes, as presented in this agenda item effective September 1, 2021.

Background/Analysis:

The Employees Retirement System of Texas (ERS) Board of Trustees sets the monthly contribution rates for HealthSelect of Texas® based on the plan's benefits, member cost sharing, projected expenses, provider reimbursement arrangements, and available funding from the State of Texas. The extent to which the ERS Board of Trustees can increase contributions is limited by the funding appropriated by the State Legislature. As a self-funded plan, contributions are deposited into an ERS-administered fund, together with investment income and revenue from various sources, and used to pay claims and internal and external administrative expenses.

Contribution Rate Analysis

When developing recommended Plan Year (PY) 2022 contribution rates, the ERS Actuarial and Reporting Services (ARS) unit and Rudd and Wisdom, Inc., ERS' consulting actuary for insurance, analyzed the critical factors listed below.

1. revenue requirements
2. state funding
3. historical enrollment
4. claims experience
5. projected contingency fund balance
6. cost containment practices
7. impact of participating Health Maintenance Organizations and funding for basic life and accidental death and dismemberment coverages

Other considerations include those listed below.

1. projected health plan benefit cost trend (the projected increase in per capita cost as a result of anticipated increases in the price and utilization of health care services)
2. member cost share leveraging (the effect of fixed member copay costs applied against rising health care costs forcing the plan to cover a larger percentage of cost)
3. expected medical and prescription drug benefit costs under the administrative services and pharmacy benefit management contracts in effect for PY21

COVID-19 Impact

Due to the pandemic, HealthSelect experienced a significant reduction in PY20 utilization during the second half of the year and plan expenses were \$134 million less than expected during a standard year.

PY21 costs are projected to increase due to the pandemic. While reduced utilization for many services occurred during the first half of the plan year, these reductions were more than offset by the cost of COVID-19 related claims, deferred utilization from the prior year, and vaccinations. The net cost impact of the pandemic is a projected cost increase of \$67 million.

PY21 medical trend is projected at 15.9% due to the impact of relative low PY20 costs and high costs in PY21. Pharmacy trend is expected to be 9.7%, consistent with historic norms. The combined medical and pharmacy trend is projected at 14.2%

Just as PY21 medical trend is expected to be high (15.9%), in part due to reduced utilization in the prior year, PY22 medical trend is expected to be lower (3.2%) as utilization returns to normal levels. Pharmacy trend is projected at 10%, which results in a projected PY22 combined medical and pharmacy trend of 5%.

COVID-19 Temporary HealthSelect Plan Changes

1. Effective March 16, 2020, ERS directed BCBSTX to approve prior authorizations for all initial/concurrent requests received without clinical documentation to reduce provider burden during high utilization period through May 31, 2020. This waiver applied to Inpatient Acute, Inpatient Post-Acute, PT/OT/ST/Home Health and Ambulatory Elective care.
2. Effective March 16, 2020, ERS waived prior authorization requirements for interfacility transfers to lower levels of care through February 28, 2021. This waiver accelerated and simplified the transfer and discharge of patients from acute level facilities to the safest, clinically appropriate lower level setting of care, such as Long Term Acute Care Hospitals, Skilled Nursing Facilities, and others.
3. ERS directed BCBSTX to honor all prior authorizations for non-emergent surgeries, procedures, therapies and home visits that were approved or scheduled from January 1, 2020 through June 30, 2020 until December 31, 2020. This helped reduce additional burden to providers and participants whose elective procedures were cancelled due to COVID-19.
4. ERS waived HealthSelect of Texas and Consumer Directed HealthSelect plan participant copays, deductibles, and coinsurance for non-COVID-19 related in-network Virtual Visits (Doctor on Demand and MD Live) and in-network provider-platform PCP and specialist telemedicine visits effective March 27, 2020 through May 31, 2021.

HealthSelect Plan Changes for PY22

Insulin coverage

1. Beginning September 1, 2021, formulary insulin dispensed at in-network pharmacies are covered at first-dollar under the HealthSelect of Texas and Consumer Directed HealthSelect Prescription Drug Programs, bypassing the annual plan deductible. (Copays and coinsurance for formulary insulin will still apply.)

Diagnostic Hemoglobin A1C Lab Test:

2. Effective September 1, 2021, the HealthSelect of Texas and Consumer Directed HealthSelect medical plans will provide in-network diagnostic Hemoglobin A1c testing at first-dollar coverage, bypassing the annual plan deductible for those diagnosed with diabetes.
3. Consumer Directed HealthSelect coinsurance (20%) will still apply to in-network A1C lab tests.
4. For HealthSelect Secondary enrollees, coinsurance (currently 30%) will apply to in-network A1C testing under this plan.
5. This applies to in-network A1C lab tests only and for those with a diagnosis of diabetes listed on the A1C lab claim. (Preventive testing is already covered at 100% as described below.)

Total Annual Out of Pocket Maximum

6. Effective September 1, 2021, the total combined (medical and pharmacy) annual in-network out-of-pocket maximum for the HealthSelect of Texas and Consumer Directed HealthSelect health plans will increase from \$6,750 to \$7,000 per individual and increase from \$13,500 to \$14,000 per family to align with IRS maximums.

Mental Health Virtual Visit Copay (through MDLive and Doctor on Demand)

7. Effective the earlier of: 1) Expiration of the GBP temporary non-COVID telemedicine/virtual visit pandemic-related waiver of cost sharing (currently scheduled to expire May 31, 2021 pending any additional extensions); or 2) September 1, 2021):
 1. The in-network virtual visit mental health copay for the HealthSelect of Texas, HealthSelect Out-of-State, and HealthSelect Secondary plans is waived. Mental Health visits through MDLive and Doctor on Demand will be covered at no cost to the participant.
 2. The deductible and coinsurance will apply to Consumer Directed HealthSelect plan participants as it did before the pandemic to remain in compliance with IRS qualified high deductible health plan requirements.

Medical Loss Ratio

In PY21, ERS received \$2.16 million in rebates from one of the participating GBP HMO plans. Under federal rules, ERS is required to distribute to members that portion of the rebate consistent with the portion of the premium paid by members during the period for which the rebates are required. Because the reduction to rates was sufficient to distribute the MLR rebates received in PY21, it is recommended current rate reduction remain in place effective for PY22. The rates shown in Exhibit A are inclusive of the MLR rebate.

Consumer Directed HealthSelect

By statute, the Consumer Directed HealthSelect plan, an optional consumer directed health plan (CDHP) combined with a health savings account, is required to be revenue neutral. In order to satisfy this requirement, ERS and the consulting actuary considered the items listed below specific to the implementation of a CDHP.

1. profile of members who might select a CDHP
2. savings due to reduced utilization
3. adverse selection due to additional plan offerings
4. savings due to benefit reduction

The original pricing assumptions were based on a projected 3% enrollment. Current enrollment is 0.5%. Therefore, the original pricing assumptions remain in place in order to develop rates.

In order to meet legislatively mandated neutrality, staff designed the CDHP plan benefits so that overall plan revenue would remain unchanged. The CDHP plan design includes an individual deductible of \$2,100/\$4,200 (individual/family), 80% coinsurance after the deductible, and \$45/\$90 (individual/family) monthly state contribution to the health savings account. Member CDHP contribution rates for dependent coverage are 90% of the HealthSelect of Texas member contribution rates and the state contribution rates are the same as the HealthSelect of Texas state contribution rates to ensure the Texas Employees Group Benefits Program (GBP) meets the requirement for revenue neutrality.

The rate analysis is included in this agenda item as **Exhibit A**.

Background

The GBP provides health benefits coverage throughout Texas and the United States for more than 500,000 state and higher education employees, retirees, and their family members. HealthSelect of Texas is the GBP's point-of-service health benefit plan with about 80% of total enrollment. Effective September 1, 2016, GBP members were provided the option to enroll in a consumer directed health plan combined with a health savings account known as Consumer Directed HealthSelect.

Effective September 1, 2021 HMO options are no longer available in the GBP. Those HMO members will enroll in either HealthSelect of Texas or Consumer Directed HealthSelect.

Texas Employees Group Benefits Program
HealthSelect of Texas
Member Enrollment
(as of March 31, 2021)

	Employees	Retirees	Beneficiaries	COBRA	Total
Member Only	127,374	38,006	770	699	166,856
Member & Spouse	15,483	7,838	-	44	23,365
Member & Children	38,949	3,351	70	53	42,416
Member & Family	21,609	2,042	-	35	23,686
Total	203,415	51,237	840	831	256,323

Texas Employees Group Benefits Program
Consumer Directed HealthSelect
Member Enrollment
(as of March 31, 2021)

	Employees	Retirees	Beneficiaries	COBRA	Total
Member Only	1,421	26	1	7	1,455
Member & Spouse	167	9	-	1	177
Member & Children	342	1	1	3	347
Member & Family	348	3	-	2	353
Total	2,278	39	2	13	2,332

Texas Employees Group Benefits Program
Health Maintenance Organization
Member Enrollment
(as of March 31, 2021)

	Employees	Retirees	Beneficiaries	COBRA	Total
Member Only	4,125	3,108	40	17	7,290
Member & Spouse	488	681	0	0	1,169
Member & Children	1,474	235	0	1	1,710
Member & Family	651	146	0	0	797
Total	6,738	4,170	40	18	10,966

The HealthSelect plan's administrative and benefit costs are funded by employer and enrolled member contributions. The ERS Board of Trustees adopts contribution rates annually. The State currently pays 100% of the HealthSelect contribution rate for eligible full-time employees and retirees and 50% of the contribution rates for eligible dependent coverage.

HealthSelect participants share costs with the plan through:

1. **Co-payments** – The fixed dollar amount a participant pays for certain medical and prescription drug services.
2. **Deductible** – The annual amount a participant pays before the plan pays any benefits. Participants pay 100% of the allowable charges for certain medical and prescription drug services until the deductible is met. Currently, prescription drugs, bariatric surgery, out-of-area participants, and out-of-network medical services are subject to a deductible.
3. **Coinsurance** – A percentage of the total allowable cost of certain types of services paid by the participant. Once a participant has paid their maximum amount of coinsurance in the plan year, the plan pays 100% of allowable costs for the rest of the plan year.

Internal administrative expenses represent approximately 0.5% of the total HealthSelect expenses. The plans pay external administrative fees to the HealthSelect third-party administrator and the pharmacy benefit manager. Combined internal and external administrative fees represent less than 3% of total HealthSelect expenses.

ATTACHMENTS:

1. Exhibit A – Recommended Contribution Rates for HealthSelect and Consumer Directed HealthSelect Plans for FY22 – Rudd and Wisdom Letter
2. Slides - Proposed Rates for HealthSelect and Consumer Directed HealthSelect Plans