

AGENDA ITEM DETAILS

Subject: Consideration of Proposed Rates for HealthSelect Medicare Advantage Preferred Provider Organization Plan for Calendar Year 2022 - (Action)

RECOMMENDED ACTION:

Move that the Board of Trustees of the Employees Retirement System of Texas approve the Calendar Year 2022 plan rates as presented in this agenda item effective January 1, 2022 for the HealthSelect Medicare Advantage PPO Plan offered under the Texas Employees Group Benefits Program.

Background/Analysis:

HealthSelectSM Medicare Advantage PPO (HealthSelect MA PPO)

The HealthSelect MA PPO rates are comprised of two elements:

- (i) the premium for the insured medical benefits provided under HealthSelect MA PPO, and
- (ii) the projected cost of prescription drug coverage under HealthSelectSM Medicare Rx.

Due to repeal of the federal Health Insurance Provider (HIP) fee, it is no longer included as an element beginning in 2021.

HealthSelect MA PPO Premium

The HealthSelect MA PPO plan medical benefits are provided under a fully insured arrangement, which means the insurance carrier assumes full risk regardless if premiums are sufficient to cover the cost of provided medical care. Under this arrangement, ERS pays a monthly premium to the MA PPO insurer to cover the cost of medical claims and administration costs associated with the plan. The insurer bears full risk for payment of all eligible incurred claims.

Sierra Health and Life Insurance Company (United), a UnitedHealthcare underwriting entity became the MA PPO insurer effective January 1, 2021. The plan's claims experience and impact of any applicable contractual guarantees drive the HealthSelect MA PPO premiums. ERS staff and the consulting actuary analyze and review the projected rates and suggest adjustments as necessary.

To determine cost effectiveness and to ensure savings to the plan and enrolled members, the proposed MA PPO premium rate is compared to the cost of coverage under HealthSelect of Texas[®] (HealthSelect), the largest health insurance plan under the Texas Employees Group Benefits Program (GBP). To compare, ERS uses a theoretical cost index (TCI) model. The TCI estimates the total cost required to cover the MA PPO's participants as if the participants enrolled in HealthSelect. In order to ensure cost effectiveness, the MA PPO must agree to charge premium rates that are no greater than 95% of the TCI.

United guaranteed the CY22 premium will not exceed \$40 per participant per month. The proposed rate is reasonable based on plan experience and changes in federal payments.

HealthSelectSM Medicare Rx Costs

In addition to the United MA PPO medical premium, ERS staff and the consulting actuary projected CY22 HealthSelect Medicare Rx plan prescription drug coverage cost, which is included in the recommended rates attached as Exhibit A. The portion of the CY21 HealthSelect MA PPO rate attributable to the projected prescription drug cost is \$139.28. This amount is adequate to cover the projected cost of prescription drugs in CY22.

Setting the HealthSelect MA Contribution Rates

In addition to the HealthSelect MA PPO medical premium and the projected cost of prescription drugs, a credit amount (\$0.24) applies to the CY22 rates due to the Medical Loss Ratio (MLR) rebates received from two HMOs as discussed at the May 2021 board meeting.

ERS staff and the consulting actuary recommend the CY22 HealthSelect MA PPO rate remain at CY21 levels. The recommended CY22 rate remains at \$179.04 and is comprised of the HealthSelect MA medical premium, the projected prescription drug cost under HealthSelect Medicare Rx, and the MLR rebate credit of \$0.24).

The consulting actuary's HealthSelect MA PPO rate analysis is included in this agenda item as Exhibit A.

BACKGROUND:

Texas Employees Group Benefit Program (GBP) Medicare eligible retired participants can enroll in the Medicare Advantage Preferred Provider Organization (MA PPO) option beginning January 1, 2012. The plan, known as HealthSelect Medicare Advantage PPO (HealthSelect MA PPO), provides medical benefits to retirees and their eligible dependents. Coverage is available statewide and nationally. All participants must be eligible for and enrolled in Medicare Part A and Part B (Medicare-primary). The medical benefits are designed to provide coverage that is at least as comprehensive as that provided under HealthSelect of Texas®, the GBP's self-funded, point-of-service health benefit plan, which coordinates benefits with original Medicare for Medicare-primary participants. At retirement, all Medicare-primary participants generally enroll in the HealthSelect MA PPO plan unless another retiree medical plan is selected.

STAFF RECOMMENDATION:

The state contribution rates are the same for HealthSelect of Texas® and HealthSelect MA PPO. ERS staff and the consulting actuary recommend the Board of Trustees approve the monthly CY22 HealthSelect MA PPO contribution rates as presented in this agenda item.

ATTACHMENTS:

1. Exhibit A – Rudd & Wisdom Letter
2. Slides - Proposed Rates for HealthSelect MAPPO Calendar Year 2022