

**AGENDA ITEM DETAILS**

**Subject:** Consideration of Proposed Rates for HealthSelect and Consumer Directed HealthSelect Plans, with rates Inclusive of plan changes for Fiscal Year 2023 – (Action)

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**RECOMMENDED ACTION:**

Move that the Board of Trustees approve the proposed FY23 contribution rates for the HealthSelect of Texas<sup>®</sup> Plans, including Consumer Directed HealthSelect<sup>SM</sup>, effective September 1, 2022, inclusive of recommended plan changes as presented in this agenda item.

**Background/Analysis:**

The Employees Retirement System of Texas (ERS) Board of Trustees sets the monthly contribution rates for the HealthSelect of Texas plans 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**

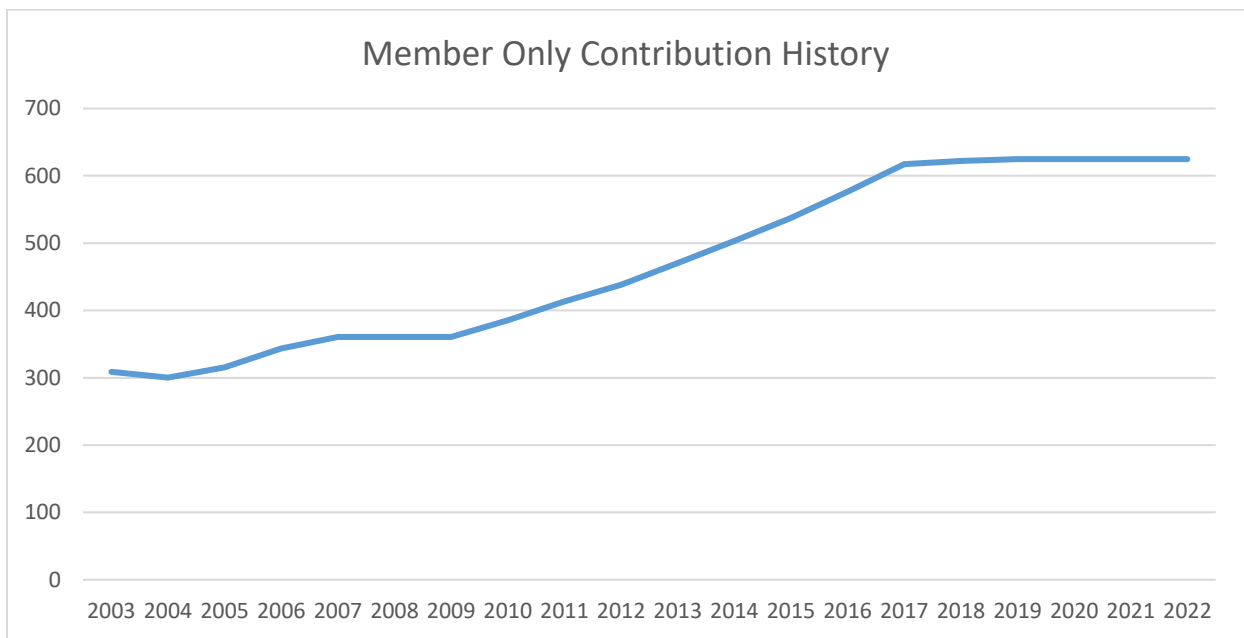
When developing recommended Plan Year (PY) 2023 contribution rates, the ERS Actuarial and Reporting Services (ARS) unit, and Rudd and Wisdom, Inc., ERS' consulting actuary for insurance, analyzed the critical factors listed below.

- revenue requirements
- state funding
- historical enrollment
- claims experience
- projected contingency fund balance
- cost containment practices
- funding for basic life and accidental death and dismemberment coverages

Other considerations include those listed below.

- 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)
- 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)
- expected medical and prescription drug benefit costs under the administrative services and pharmacy benefit management contracts in effect for PY22

Due to the success of the ERS' contracting process and other cost containment activities, there has not been a significant increase in the member contribution rate since PY17.



### COVID-19 Impact

FY21 saw a large cost increase as members sought medical care at closer to historical norms in the second half of PY21. There was also an increase in the number of COVID-19 cases, resulting in a large cost increase of \$85.6 million. COVID-19 cases continue to be high in FY22 largely due to the tail end of the Delta surge and the Omicron variant. As a result, the projected cost of impact of the pandemic is \$97.8 million in PY22.

Although continued COVID-19 waves are expected in the near-term, the impact to subsequent years is likely to be less as population immunity continues to build and new medications and treatments lead to better outcomes.

### Projected trend

PY22 is projected to be close to historical norms with a combined trend (medical and pharmacy) of 6.1%. Medical trend is projected to be 4.5% and pharmacy trend is projected to be 10.3%

PY23 trend is projected to be down slightly due to an expected reduction in COVID-19 related expenditures. The combined trend is projected to be 5.7%. Medical trend is projected to be 3.9% and pharmacy trend is expected to be 10%

### COVID-19 Temporary HealthSelect Plan Changes

#### At-home COVID-19 Testing

In January 2022, the federal government required private insurers to cover the cost of over-the-counter (OTC) rapid at-home COVID-19 tests starting January 15, 2022. Under the new guidance, plans must cover up to eight FDA-authorized rapid tests per participant per month.

The Texas Employees Group Benefits Plan (GBP) worked with OptumRx to provide OTC direct coverage to HealthSelect participants through the HealthSelect<sup>SM</sup> Prescription Drug Program (PDP) and at no cost to the participant for up to eight tests per participant per month. The maximum reimbursement is capped at \$12 per test.

The administration announced in early February 2022, that OTC rapid test coverage will be available through Medicare Part B and Medicare Advantage plans in early spring. Until the Part B process becomes available, HealthSelect<sup>SM</sup> plans will cover Medicare retiree at-home tests through the wraparound feature of the Employer Group Waiver Program (EGWP) at no cost to the patient.

## **Anti-viral COVID Medication**

In late December 2021, the Food and Drug Administration (FDA) granted Emergency Use Authorization to two oral antiviral therapies for COVID-19. The two covered drugs, Molnupiravir and Paxlovid, are covered formulary medications with quantity and age limits consistent with the FDA Emergency Use Authorizations. The federal government covers the drug cost and while the drug is provided at no cost to participants, the plan pays dispensing fees for the medications to cover the pharmacy administration costs during the Public Health Emergency and when these products are provided at no fee.

**Recommended HealthSelect Plan Changes for PY23, effective September 1, 2022. These changes do not impact the proposed plan contribution rates.**

- Coverage of Diabetic supplies at Pharmacy

Staff proposes to expand HealthSelect formulary coverage for diabetic supplies. In addition to One Touch products, Contour products will be covered with no out of pocket costs. Other manufacturer products will be covered with the applicable copay. These changes align with industry best practices and provide comprehensive coverage under the pharmacy benefit.

- Total Annual Out of Pocket Maximum

Staff recommends aligning the total combined (medical and pharmacy) annual in-network out-of-pocket maximum for the HealthSelect of Texas and Consumer Directed HealthSelect health plans with the new IRS maximum limits. It would increase from \$7,000 to \$7,050 per individual and increase from \$14,000 to \$14,100 per family.

## **Medical Loss Ratio**

In PY20 and PY21, ERS received total of \$5 million in rebates from two 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. This resulted a reduction in rates of about 0.1% for PY21 and PY22. No such rebates were received in PY22 and therefore rates will increase by 0.1% making them consistent with the rates in effective in PY20.

## **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.

- member profile of those who might select a CDHP
- savings due to reduced utilization
- adverse selection due to additional plan offerings
- savings due to benefit reduction

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

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 up to a maximum out-of-pocket spending, and \$45/\$90 (individual/family) monthly state contribution to each individual's 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 GBP meets the revenue neutrality requirement.

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 81% of total enrollment.

Effective September 1, 2016, GBP members could enroll in a consumer directed health plan combined with a health savings account known as Consumer Directed HealthSelect.

**Texas Employees Group Benefits Program  
HealthSelect of Texas  
Member Enrollment  
(as of March 31, 2022)**

	Employees	Retirees	Beneficiaries	COBRA	Total
<b>Member Only</b>	124,439	40,347	735	694	<b>166,215</b>
<b>Member &amp; Spouse</b>	15,031	8,003	-	58	<b>23,092</b>
<b>Member &amp; Children</b>	38,275	3,639	79	43	<b>42,036</b>
<b>Member &amp; Family</b>	21,346	2,218	-	44	<b>23,608</b>
<b>Total</b>	<b>199,091</b>	<b>54,207</b>	<b>814</b>	<b>839</b>	<b>254,951</b>

**Texas Employees Group Benefits Program  
Consumer Directed HealthSelect  
Member Enrollment  
(as of March 31, 2022)**

	Employees	Retirees	Beneficiaries	COBRA	Total
<b>Member Only</b>	1,739	25	1	11	<b>1,776</b>
<b>Member &amp; Spouse</b>	196	13	-	-	<b>209</b>
<b>Member &amp; Children</b>	389	4	1	-	<b>394</b>
<b>Member &amp; Family</b>	424	4	-	3	<b>431</b>
<b>Total</b>	<b>2,748</b>	<b>46</b>	<b>2</b>	<b>14</b>	<b>2,810</b>

Employer and member contributions fund the HealthSelect plan's administrative and benefit costs. The ERS Board of Trustees adopts member 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 total HealthSelect expenses. The plans pay external administrative fees to the HealthSelect third-party administrator, currently Blue Cross and Blue Shield of Texas, and the pharmacy benefit manager, currently OptumRx. Combined internal and external administrative fees represent less than 3% of total HealthSelect expenses.

**Staff Recommendation:**

Staff recommends the Board adopt the PY23 HealthSelect of Texas® plans, including Consumer Directed HealthSelect<sup>SM</sup>, rates attached as Exhibit A. The proposed rates reflect the remove of the 0.1% rate reduction due to MLR rebates.

**ATTACHMENTS:**

1. Exhibit A – Recommended Contribution Rates for HealthSelect for Fiscal Year 2023
2. Slides - Proposed Rates for HealthSelect Plans, including Consumer Directed HealthSelect