

Rudd and Wisdom, Inc.

CONSULTING ACTUARIES

Mitchell L. Bilbe, F.S.A.
 Evan L. Dial, F.S.A.
 Philip S. Dial, F.S.A.
 Charles V. Faerber, F.S.A., A.C.A.S.
 Mark R. Fenlaw, F.S.A.
 Brandon L. Fuller, F.S.A.
 Shannon R. Hatfield, F.S.A.

Christopher S. Johnson, F.S.A.
 Oliver B. Kiel, F.S.A.
 Dustin J. Kim, F.S.A.
 Edward A. Mire, F.S.A.
 Rebecca B. Morris, A.S.A.
 Amanda L. Murphy, F.S.A.

Michael J. Muth, F.S.A.
 Khiem Ngo, F.S.A., A.C.A.S.
 Timothy B. Seifert, F.S.A.
 Chelsea E. Stewart, A.S.A.
 Raymond W. Tilotta
 Ronald W. Tobleman, F.S.A.
 David G. Wilkes, F.S.A.

April 19, 2022

Mr. Porter Wilson
 Executive Director
 Employees Retirement System
 of Texas
 Post Office Box 13207
 Austin, Texas 78711-3207

Re: Recommended Member Contribution Rates for the
 Texas Employees Group Benefits Program Self-
 Funded Dental PPO Plan for Fiscal Year 2023

Dear Mr. Wilson:

The purpose of this correspondence is to present recommendations for member contribution rates for the Texas Employees Group Benefits Program (GBP) self-funded dental preferred provider organization (PPO) plan, the State of Texas Dental Choice Plansm (Dental Choice), for Fiscal Year 2023 (FY23). Our analysis and recommendations are presented below.

Background

At its meeting on March 6, 2019, the Board of Trustees accepted the proposal of DeltaDental to administer Dental Choice on a self-funded basis in return for an administrative fee guaranteed for the six-year period beginning September 1, 2019.

Anticipated savings from more cost-effective provider reimbursement rates were an important consideration in the Board's decision to accept the DeltaDental proposal. In 2019, we and the staff projected that the FY20 per capita plan cost (claims and administrative expenses) would be approximately 5% less than the projected per capita contribution assuming no change in contribution rates or benefits.

Therefore, we and the staff concluded that the FY20 member contribution rates could be set at levels that are 5% below the FY19 rates and still generate sufficient revenue to cover claims and administrative expenses in FY20. Accordingly, we recommended and the Board adopted a 5% reduction in member contribution rates for FY20.

Mr. Porter Wilson
Page Two
April 19, 2022

Member contribution rates were maintained at the FY20 levels for FY21 and were subsequently increased 3% for FY22.

Analysis

We have projected costs for Dental Choice for FY22 and FY23 based on an analysis of historical experience through March, 2022, estimated trends in per capita benefit costs, anticipated enrollment patterns, projected provider reimbursement and contractual administrative fees.

Based on this analysis, we believe that the member contribution rates currently in effect for FY22 should be increased 2.5% in order to provide for claims and administrative expenses expected to be incurred in FY23.

Recommendation

Based on the analysis described above and in consultation with the staff, we recommend that member contribution rates be maintained at the FY22 levels for FY23. The current and recommended rates are shown on the attachment to this letter.

Please let us know if you have any questions or need additional information.

Sincerely,



Philip S. Dial

PSD:nlg

Enclosure

o:\users\nancy\ugip\ugip22\Agenda May 2022\Wilson-Dental23.docx

GROUP BENEFITS PROGRAM

Dental Choice

Recommended Monthly Member Contribution Rates for FY 2023

Coverage Category	Monthly Member Contribution Rates		
	Current FY22	Recommended FY23	Change
Member Only	\$28.03	\$28.73	0.70
Member and Spouse	56.06	57.46	1.40
Member and Children	67.27	68.95	1.68
Member and Family	95.30	97.68	2.38
Spouse Only	28.03	28.73	0.70
Child(ren)	39.24	40.22	0.98
Spouse and Child(ren)	67.27	68.95	1.68