

# Rudd and Wisdom, Inc.

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August 9, 2022

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

Re: Recommended Contribution Rates for the  
HealthSelect Medicare Advantage Plan for  
Calendar Year 2023

Dear Mr. Wilson:

The purpose of this correspondence is to present recommended member contribution rates for Calendar Year 2023 (CY23) for the HealthSelect Medicare Advantage Plan, a preferred provider organization (MA PPO) offered under the Texas Employees Group Benefits Program (GBP).

### Background

On May 20, 2020, the Board of Trustees of the Employees Retirement System (ERS) authorized the Executive Director to negotiate and execute a contract with Sierra Health and Life Insurance Company, Inc., a UnitedHealthcare underwriting entity (UnitedHealthcare) to provide fully insured medical benefits under HealthSelect MA PPO for GBP participants for whom Medicare is primary (MPPs) for a six-year term commencing January 1, 2021. The UnitedHealthcare medical premium rate is guaranteed at \$40.00 per participant per month for CY23.

The following summarizes the conditions under which HealthSelect MA PPO currently operates and will continue to operate in CY23.

- The medical benefits for GBP participants in HealthSelect MA PPO are provided on a fully insured basis and must be at least as generous as those provided to MPPs under HealthSelect.
- Prescription drug benefits for GBP participants in the HealthSelect MA PPO are provided through HealthSelect Medicare Rx, the self-funded Employer Group Waiver Plan (EGWP) administered by UnitedHealthcare under a separate contract.

- HealthSelect MA PPO participants are required to pay Medicare Part B premiums as well as any contributions required under the GBP.

**Recommended Member Contribution Rates**

The recommended CY23 monthly member contribution rates for MPPs participating in the HealthSelect MA PPO have been established as follows:

- The medical component was determined based on the contractually guaranteed premium rate of \$40.00 per participant per month. Due to the contractual guarantee, the medical component is the same as that used in developing the CY22 member contribution rates.
- The prescription drug component was determined by projecting the CY23 per capita monthly cost of HealthSelect Medicare Rx coverage for MPPs. The CY23 projected per capita cost is \$173.32 per month which is \$34.04 per month more than the projected per capita cost used in developing the CY22 member contribution rates. The increase is attributable to the continuing increase in the net cost of prescription drugs, for which prices are rising more rapidly than the related rebates and subsidies used as offsets.
- A small credit (\$0.24 per participant per month) resulting from the Medical Loss Ratio (MLR) rebates paid by two HMOs, was applied to reduce the CY22 rates. As discussed in our letter concerning recommended rates for HealthSelect for FY23, the funds generated by the MLR rebates will be exhausted by the end of FY22. Therefore, ERS is unable to provide this credit for CY23.
- The sum of these components, \$213.32 (\$40.00 + \$173.32) provides the total cost basis used in developing the proposed CY23 HealthSelect MA PPO monthly member contribution rates.
- As provided under the legislative appropriation for the GBP, the member is not required to contribute toward the cost of the member’s health coverage, but the member is required to pay 50% of the cost of dependent coverage.

The current and proposed monthly member contribution rates for HealthSelect MA PPO participants are presented below

	HealthSelect MA PPO Monthly Member Contribution Rates		
	CY22	CY23 Proposed	Change
Medicare-Primary Spouse	\$89.52	\$106.66	\$17.14
Medicare-Primary Surviving Spouse	\$179.04	\$213.32	\$34.28

The FY23 state contribution rates for HealthSelect MA PPO participants are the same as those applicable to HealthSelect. The savings to the state from HealthSelect MA PPO have been considered in establishing the HealthSelect state contribution rates.

Mr. Porter Wilson  
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### **Recommendation**

Based on the guaranteed UnitedHealthcare premium rate for HealthSelect MA PPO medical coverage and the projected cost of HealthSelect Medicare Rx coverage for MPPs, we recommend that the CY23 MA PPO monthly member contribution rates be established at the levels presented herein.

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

Sincerely,

A handwritten signature in black ink, appearing to read "P. S. Dial". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Philip S. Dial

PSD:nlg

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