

AGENDA ITEM DETAILS

Subject: Consideration of Proposed FY 2024 Rates for HealthSelect and Consumer Directed HealthSelect Plans – (Action)

RECOMMENDED ACTION:

Move that the Board approve the proposed Fiscal Year 2024 contribution rates for the HealthSelect of Texas® plans, including Consumer Directed HealthSelectSM, effective September 1, 2023.

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. The funds are then used to pay claims and internal and external administrative expenses.

Contribution Rate Analysis

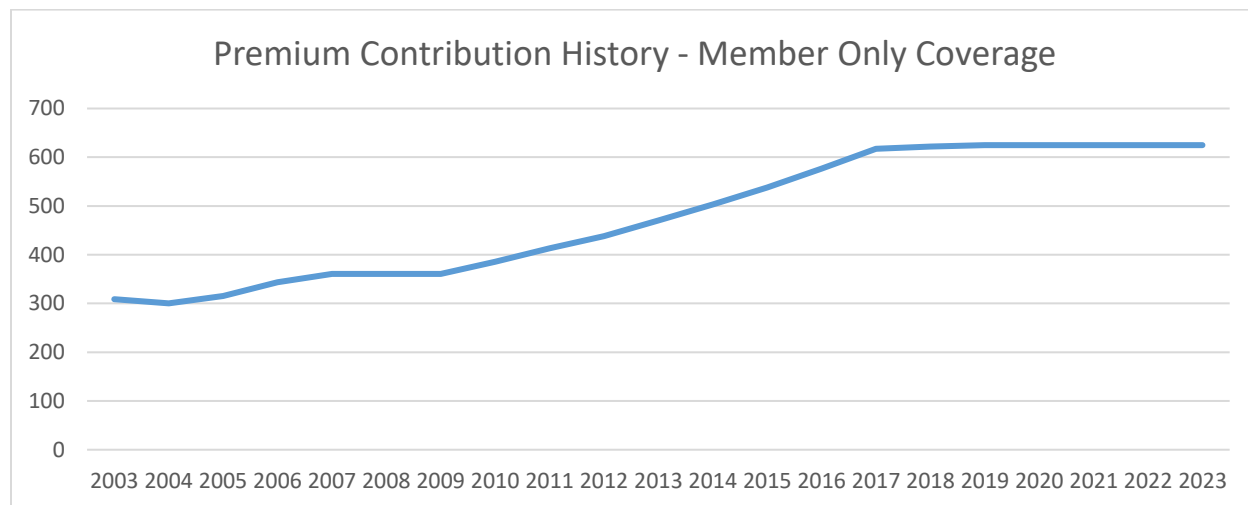
When developing recommended Plan Year (PY) 2024 contribution rates, the ERS Actuarial and Reporting Services (ARS) unit, and Rudd and Wisdom, Inc., ERS' consulting actuary for insurance, analyzed the critical factors listed below.

- revenue requirements
- state funding as determined each biennium in the state budget
- 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 PY24

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



Projected trend

Costs related to COVID-19 appear to have stabilized. In PY23, those costs added an estimated \$41.9 million to total cost. With cost now stabilized, staff expects PY24 to be consistent with historic trends seen prior to the pandemic. For PY24, combined trend (medical and pharmacy) is projected at 6.9% with medical trend at 5.6% and pharmacy trend at 10%

Effective January 1, 2024, Express Scripts takes over as the pharmacy benefit manager (PBM). While this will not have a significant impact on the gross claims trend, projections indicate a significant increase in rebates.

Consumer Directed HealthSelect

Effective September 1, 2016, GBP members could enroll in a consumer directed health plan (CDHP), combined with a health savings account known as Consumer Directed HealthSelect. By statute, the Consumer Directed HealthSelect plan must 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 amount, 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 80% of total enrollment.

Texas Employees Group Benefits Program HealthSelect of Texas Member Enrollment (as of March 31, 2023)

	Employees	Retirees	Beneficiaries	COBRA	Total
Member Only	128,675	40,209	674	566	170,124
Member & Spouse	14,588	7,565	-	49	22,202
Member & Children	37,586	3,551	71	47	41,255
Member & Family	20,712	2,157	-	44	22,913
Total	201,561	53,482	745	706	256,494

Texas Employees Group Benefits Program Consumer Directed HealthSelect Member Enrollment (as of March 31, 2023)

	Employees	Retirees	Beneficiaries	COBRA	Total
Member Only	2,286	25	1	14	2,326
Member & Spouse	249	15	-	4	268
Member & Children	458	4	1	-	463
Member & Family	455	5	-	1	461
Total	3,448	49	2	19	3,518

Employer and member contributions fund the HealthSelect plan's administrative and benefit costs. The ERS Board of Trustees adopts member contribution rates annually. As set out in statute, the State currently pays 100% of the HealthSelect contribution rate for eligible full-time employees and 50% of the contribution rates for employee and retiree eligible dependent coverage. The State's contribution to eligible retiree contribution rates is based primarily on benefits-eligible years of service for a GBP participating agency or higher education institution and whether the retiree had at least five years of service as of September 1, 2014.

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. HealthSelect, Consumer Directed HealthSelect, HealthSelectSM Rx, and HealthSelectSM Medicare Rx are self-funded plans. This means that the GBP assumes the risk associated with incurred claims instead of an insurance company. The HealthSelect plans contract with a third-party administrator (TPA) and pays external administrative fees to the TPA, currently Blue Cross and Blue Shield of Texas, and the pharmacy benefit manager (PBM), currently OptumRx. Express Scripts will take over as the PBM effective January 1, 2024. These external administrators maintain the network and adjudicate claims which are then billed to the GBP. Self-funded plans do not need to price in a profit margin and therefore are generally less expensive for those employers who can sponsor such a plan. Combined internal and external administrative fees represent less than 3% of total HealthSelect expenses.

Summary of Notable Plan Changes

By approving PY24 contribution rates, staff is also requesting that the Board approve notable changes to benefits coverage as described below.

- **Bariatric Surgery** – the plan is not changing the benefits required by statute in connection with bariatric services covered by the self-funded HealthSelect plans. The benefit is required to be cost-neutral and statute defines eligibility. The plan will be modernizing the benefit's prerequisites to improve administration of the bariatric benefit. BMI of 40 or BMI of 35 with one comorbidity (previously BMI of 40),
- Requirement of 3 continuous years of active GBP employment without breaks in coverage (was 5 years),
- Remove requirement of documentation of 5 year history of morbid obesity,
- Change requirement of nonsurgical weight loss program to 3 consecutive months before date of request (vs. 12 consecutive months) during the 24-month period before the date of request and
- Bariatric surgery is considered experimental, investigational and/or unproven for patients with a BMI less than 35 with one comorbidity or BMI of 40 (was 40).

HealthSelect Prescription Drug Plan

- **Continuous Glucose Monitors (CGMs)** - Effective January 1, 2024, certain CGMs will be available through the HealthSelect prescription drug benefit program, subject to plan requirements. CGMs will continue to be available through HealthSelect durable medical equipment benefits for a period.
- **Glucometers and Test Strips/Supplies** – With the availability of glucometers and diabetic supplies (including test strips) through prescription drug benefits effective September 1, 2021, these items will no longer be available through the HealthSelect durable medical equipment benefit, unless the patient uses an insulin pump or similar item.

Staff recommends no changes to the current coverage of weight loss medications. The plan currently excludes coverage of drugs prescribed solely for the treatment of obesity. Staff continues to evaluate the impact of new Glucagon-Like Peptide-1 Receptor Antagonist drugs (GLP-1 drugs) on the plan, and on participants. Staff discussed this coverage with members of the Group Benefits Advisory Committee. HealthSelect continues to cover prescribed FDA approved drugs for treatment of Type 2 diabetes, subject to plan requirements.

Staff Recommendation:

Staff recommends adoption of the PY24 rates for the HealthSelect of Texas® plans, including Consumer Directed HealthSelectSM, and basic life and corresponding AD&D coverage, with rates attached as Exhibit A.

ATTACHMENTS:

1. Exhibit A – Recommended Contribution Rates for HealthSelect for Fiscal Year 2024
2. Slides – Proposed Rates for HealthSelect and Consumer Directed HealthSelect Plans