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April 28, 2023

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

Re: Recommended Member Contribution Rates for the
Texas Employees Group Benefits Program Fully
Insured Dental Health Maintenance Organization
Plan for Fiscal Year 2024

Dear Mr. Wilson:

The purpose of this correspondence is to present recommendations for member contribution rates for the Texas Employees Group Benefits Program (GBP) Fully Insured Dental Health Maintenance Organization plan (DHMO) for Fiscal Year 2024 (FY24). Our analysis and recommendations are presented below.

Background

At its meeting on March 6, 2019, the Board of Trustees approved a contract with Delta Dental Insurance Company (DeltaDental) to provide all services for the fully-insured DHMO offered to all participants under the GBP for a six-year period beginning September 1, 2019. Under the terms of the contract, the contractual premium rates were guaranteed for the first three years of the contract, i.e., for FY20-22, with premium rates for the final three years of the contract (FY23-25) to be determined through good-faith negotiation. Ultimately, ERS and DeltaDental agreed to maintain the original rates without change through FY25

Analysis

Since the DHMO is fully-insured, typically, the DHMO premiums are paid in full by member contributions. Therefore, the member contribution rates for FY21 and FY22 were set equal to the contractual premium rates.

During 2022, ERS received a premium refund of about \$980,000 from DeltaDental. DeltaDental attributed the refund to the company's policy of not profiting from COVID-19 pandemic-induced reduction in plan utilization.

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Since the funds used to pay the refund were generated through contributions paid by the members, it was deemed appropriate to return the refund to the members through a one-time reduction in member contribution rates for FY23. Since the refund was expected to be equal to about 10% of the total FY23 premium, DHMO member contribution rates for FY23 were set at a level that was 10% below the FY22 rates.

Since the premium refund provided a one-time subsidy, it will be necessary to reestablish the FY24 member contribution rates at the amounts in effect for FY21 and FY22 in order to generate revenue sufficient to cover the contractual cost for FY24.

Recommendation

We recommend that DHMO member contribution rates for FY24 be established at the same level as the contractual premium rates. The current and recommended member contribution 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

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GROUP BENEFITS PROGRAM

Dental Health Maintenance Organization Plan

Recommended Monthly Member Contribution Rates for FY 2024

Coverage Category	Monthly Member Contribution Rates		
	Current FY24	Recommended FY23	Change
Member Only	\$ 8.63	\$ 9.59	\$0.96
Member and Spouse	17.26	19.18	1.92
Member and Children	20.72	23.02	2.30
Member and Family	29.33	32.59	3.26
Spouse Only	8.63	9.59	0.96
Child(ren)	12.09	13.43	1.34
Spouse and Child(ren)	20.72	23.02	2.30