

## Public Agenda Item #4

*Consideration of Proposed Plan Year 2024 Rates for the Group Benefits Program Optional Coverages- (**Action**)*

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Diana Kongevick, Director of Group Benefits

Blaise Duran, FSA, Actuarial and Reporting Services, Group Benefits

Phil Dial, FSA, Rudd and Wisdom, Inc.

# State of Texas Dental Choice Plan and Dental Health Maintenance Organization

# GBP Dental Plans

## *Recommendation*



- State of Texas Dental Choice Plan<sup>SM</sup> (PPO)
  - No contribution increase recommended for PY24
  - PY23 claims lower than projected
- Recommend DHMO rates return to PY22 levels
  - PY23 member rates were reduced by 10% to pass on the DeltaUSA<sup>®</sup>, Inc. COVID-related refund

# State of Texas Dental Choice Plan

PY23



## GBP Dental Choice Member Enrollment as of March 31, 2023

	PY22	PY23
<b>Member Only</b>	116,848	124,961
<b>Member &amp; Spouse</b>	37,402	38,541
<b>Member &amp; Child(ren)</b>	27,056	27,856
<b>Member &amp; Family</b>	23,378	23,500
<b>Total</b>	204,684	214,858

# State of Texas Dental Choice Plan



## *Rate Development*

- The Texas Employees Group Benefits Program (GBP) assumes risk for claims and administrative expenses of this self-funded plan.
- Member contributions must be sufficient to support anticipated costs for the upcoming year.
- Member contribution rates are based on:
  - claims experience through March 31, 2023;
  - estimated trends in per capita benefit costs;
  - projected provider reimbursement;
  - historical enrollment patterns;
  - contractually guaranteed administrative fees; and
  - notable benefit changes (if applicable).

# State of Texas Dental Choice Plan Experience

## Projected through PY24



### State of Texas Dental Choice Projected Experience (Through PY24)

	PY21	PY22	PY23 Projected	PY24 Projected
<b>Contributions</b>	108,085,209	112,746,889	119,214,587	122,791,024
<b>Claims</b>	104,963,781	108,350,380	112,814,988	117,942,429
<b>Administrative Cost</b>	4,648,206	4,735,834	4,944,130	5,092,454
<b>Gain/(Loss)</b>	(\$1,526,778)	(\$339,325)	\$1,455,469	(\$243,858)

# State of Texas Dental Choice Plan



## Proposed PY24 Rates

- ERS Actuarial and Reporting Services team and Rudd and Wisdom recommend no increase to PY24 member contribution rates.

**State of Texas Dental Choice  
Proposed Monthly Contribution Rates**

	<b>Current PY23</b>	<b>Proposed PY24</b>	<b>Change from Current Rate</b>
<b>Member Only</b>	\$ 28.73	\$ 28.73	\$0.00
<b>Member &amp; Spouse</b>	57.46	57.46	0.00
<b>Member &amp; Child(ren)</b>	68.95	68.95	0.00
<b>Member &amp; Family</b>	97.68	97.68	0.00

# Dental Health Maintenance Organization

PY23



## DHMO Member Enrollment as of March 31, 2023

	PY22	PY23
<b>Member Only</b>	37,587	37,433
<b>Member &amp; Spouse</b>	9,660	9,038
<b>Member &amp; Child(ren)</b>	6,957	6,419
<b>Member &amp; Family</b>	5,436	4,958
<b>Total</b>	59,640	57,848



# Dental Health Maintenance Organization



## *Premium Refund*

- To not profit from the pandemic, Delta Dental voluntarily returned \$980,000 in PY22.
- The refund amount represented approximately 10% of the total PY23 expected premium.
- PY23 member contribution rates were reduced by 10%
- These funds are now exhausted and contributions rates should return to PY22 levels.
- Premium amount will be consistent with premiums paid to Delta Dental.

# Dental Health Maintenance Organization



## *Proposed PY24 Rates*

- ERS Actuarial and Reporting Services team and Rudd and Wisdom recommend a return to PY22 member contribution rates.

### Dental Health Maintenance Organization Proposed Monthly Contribution Rates

	Current PY23	Proposed PY24	Change from Current Rate
Member Only	\$ 8.63	\$ 9.59	\$ 0.96
Member & Spouse	17.26	19.18	1.92
Member & Child(ren)	20.72	23.02	2.30
Member & Family	29.33	32.59	3.26

# Discussion

*State of Texas Vision<sup>SM</sup>*

# State of Texas Vision

## *Recommendation*



- No contribution increase recommended for PY24.
  - Expenses expected to continue to exceed contributions
  - Funds accrued from prior years are sufficient to cover losses
  - EyeMed is the new third party administrator effective September 1, 2023

# Vision Plan Enrollment

PY23



## GBP Vision Plan Member Enrollment as of March 31, 2023

	PY22	PY23
<b>Member Only</b>	96,556	107,499
<b>Member &amp; Spouse</b>	25,273	27,181
<b>Member &amp; Child(ren)</b>	21,689	22,926
<b>Member &amp; Family</b>	18,246	19,066
<b>Total</b>	161,764	176,672

# State of Texas Vision



## Rates

- The GBP assumes all risk for this self-funded plan, paying all claims and administrative expenses in excess of contributions.
- Contributions must be sufficient to support the anticipated costs for the upcoming year.
- Member contributions rates are based on:
  - claims experience through February 28, 2023;
  - estimated trends in benefit costs;
  - projected provider reimbursement rates;
  - contractually guaranteed administrative fees; and
  - notable plan changes (if any)
    - Out-of-network contact lens allowance will increase from \$150 to \$200 effective September 1, 2023

# Vision Plan Experience

*Projected through PY24*



## State of Texas Vision Plan Projected Experience (Through PY24)

	PY21	PY22	PY23 Projected	PY24 Projected
<b>Contributions</b>	14,644,017	13,913,338	14,778,236	15,439,562
<b>Claims</b>	13,811,584	13,624,213	14,923,517	16,280,811
<b>Administrative Cost</b>	992,528	1,042,232	1,094,343	361,741
<b>Gain/(Loss)</b>	(\$160,096)	(\$753,107)	(\$1,239,624)	(\$1,202,990)



# State of Texas Vision



## Proposed PY24 rates

ERS Actuarial and Reporting Services team and Rudd and Wisdom recommend no change to PY24 plan contribution rates:

### State of Texas Vision Proposed Monthly Member Contribution Rates

	PY23	PY24	Change from Current Rate
Member Only	\$ 4.61	\$ 4.61	\$0.00
Member & Spouse	9.22	9.22	0.00
Member & Child(ren)	9.91	9.91	0.00
Member & Family	14.52	14.52	0.00

# Discussion

*Basic and Optional Term Life, Accidental Death  
and Dismemberment Plans*

# GBP Life and AD&D Plans



## *Recommendation*

- No contribution change recommended for Life and Accidental Death and Dismemberment (AD&D) plans for PY24.
  - Rates were increased by approximately 5.8% in PY23.
- No contribution change for Voluntary AD&D plans for PY24.

# Life and AD&D



## *Insurance Funding*

- Life insurance is funded through a fully-insured, minimum-premium arrangement with Minnesota Life, an affiliate of Securian Financial Group, Inc.
- On a weekly basis, ERS reimburses the insurer in an amount equal to actual life insurance claims paid by the insurer.
- On a monthly basis, ERS pays the insurer the contractual administrative fees.
- The minimum-premium arrangement includes maximum premium rates for each coverage type, which are guaranteed for the term of the contract.

# Life and AD&D



## *Insurance Funding (continued)*

- Voluntary AD&D
  - Fully-insured by Minnesota Life
  - Based on premium rates guaranteed for the term of the contract
- Life and AD&D RFP completed in PY21

# Basic and Optional Life

## *Contribution Rates*



Member contribution rates for the Life plan are developed based on the following factors:

- reasonable expectations of future claims determined through a review of the plan experience over the last 10 years;
- anticipated claim-payment patterns;
- expected investment income earned on funds held by ERS; and
- maximum claims rates and administrative fees included in the Minnesota Life contract.

# Basic and Optional Life

## *COVID-19 Impact*

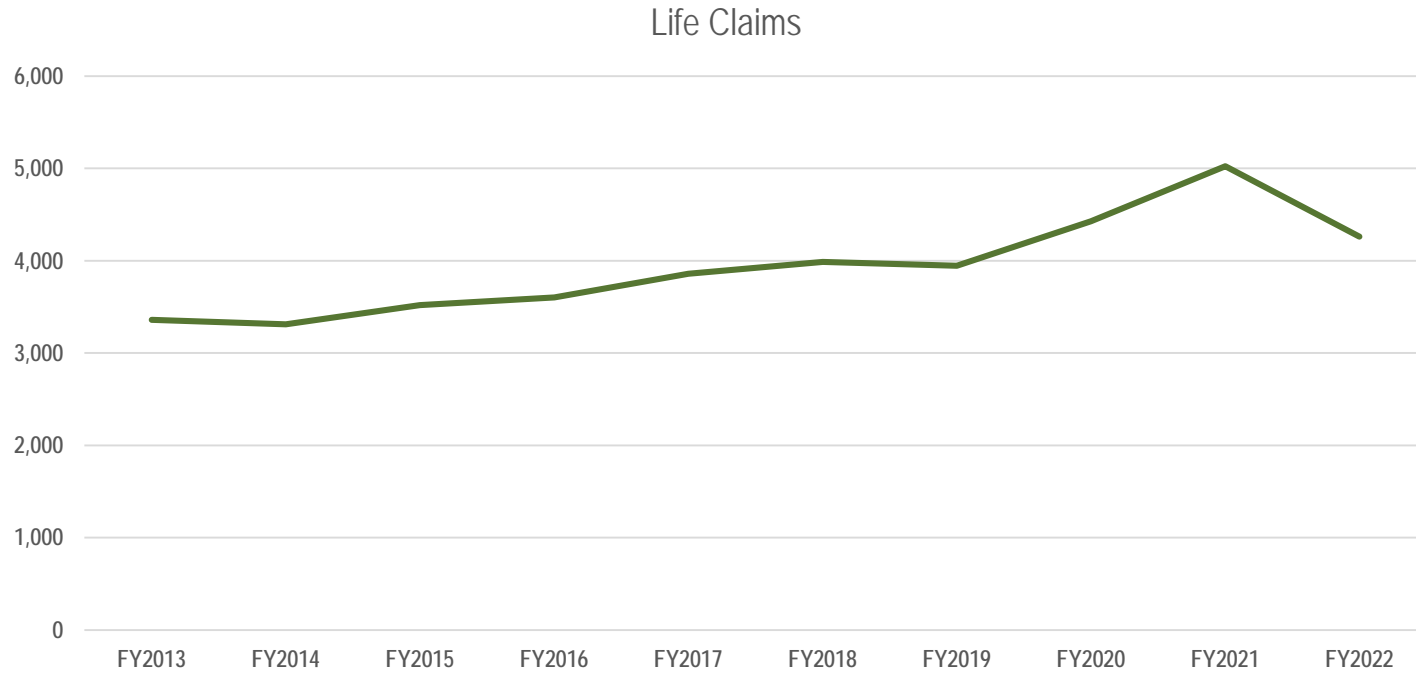


- The pandemic caused a significant claims increase.
- Claims peaked in PY21 and have since come back down in PY22 and PY23.
- Despite reduction, claims continue to be elevated relative to pre-pandemic levels.



# Basic and Optional Life

## COVID-19 Impact



# Basic and Optional Life

## Experience Summary PY13 – PY22



Coverages *	Average Volume	Total Premium	Incurred Claims	Administrative Fees	Gain/(Loss)
<b>Basic Life</b>	\$1,346,118,000	\$83,933,153	\$92,507,791	\$2,244,146	(\$9,716,165)
<b>Optional Life</b>	\$20,630,921,000	\$732,499,030	\$775,785,241	\$19,211,830	(\$62,498,041)
<b>Dependent Life</b>	\$472,404,000	\$22,263,862	\$23,646,460	\$612,698	(\$1,995,296)
<b>Life Total</b>	\$22,449,444,000	\$838,696,045	\$891,939,492	\$22,068,673	(\$75,312,121)

\*Includes both employee and retiree lives.

# Life and AD&D

## Proposed PY24 Rates



	Current PY23	Proposed PY24	Change from Current Rate
Active and Retiree Basic Term Life and AD&D	\$ 2.22	\$2.22	No change
Active and Retiree Optional Life and AD&D Range based on age from <25 to ≥90	\$ 0.05 - \$11.18	\$ 0.05 - \$11.18	No change
Active Dependent Life and AD&D	\$ 1.45	\$1.45	No change
Retiree Minimum Optional Life	\$ 2.48	\$ 2.48	No change
Retiree Dependent Life	\$ 3.23	\$ 3.23	No change
<b>Voluntary AD&amp;D:</b>			
Employee Only	\$ 0.02	\$ 0.02	No change
Employee & Family	\$ 0.04	\$ 0.04	No change

# Discussion

*Texas Income Protection Plan<sup>SM</sup> (TIPP)*

- Short Term Disability – recommend a 7.7% reduction.
  - Short Term Disability claims are significantly reduced in PY22 and PY23.
  - Reed Group advises this is consistent across their book of business.
- Long term Disability – recommend no change
  - Rates were increased in PY22 and are expected to be adequate in PY24.

## *Two self-funded plans*

- Short-term disability – Benefits last approximately five months after a one-month elimination period.
- Long-term disability – Benefits can last for many years and the maximum benefit period ranges from 12 months to Social Security Retirement Age, after a 6-month elimination period.
- Member contributions fund benefits.

### TIPP Member Enrollment as of March 31, 2023

	PY22	PY23
<b>Short-Term Disability</b>	79,984	80,654
<b>Long-Term Disability</b>	103,754	105,439



- TIPP member contributions are based on the following items:
  - reasonable expectations of future claims;
  - anticipated claim-payment patterns;
  - expected investment income on funds held by ERS; and
  - administrative fees associated with the TIPP benefit administration.

## *PY24 contribution rate analysis (continued)*

- Different contribution rate approaches apply to short-term and long-term disability.
  - Short-term disability has short-term liabilities and recent experience is used.
  - Long-term disability claims are longer in duration and experience is evaluated over many years.

## Short-term Disability Experience

	PY22	PY23* (as of March 31, 2023)
<b>Member Contributions</b>	14,846,496	9,051,066
<b>Incurred Claims</b>	7,279,157	4,857,262
<b>Administrative Fees</b>	2,896,447	1,428,649
<b>Total Expense</b>	10,175,603	6,317,734
<b>Contribution Gain / (Loss)</b>	<b>\$4,670,893</b>	<b>\$2,733,332</b>

\*Partial-year experience

PY12 – PY21 Cumulative	
<b>Adjusted Member Contributions*</b>	303,576,377
<b>Incurred Claims with Discounted Reserves</b>	269,086,044
<b>Administrative Fees</b>	28,730,398
<b>Total Expense</b>	297,816,442
<b>Contribution Gain / (Loss)</b>	\$5,759,935

\*Adjusted to in-force rates

<b>Texas Income Protection Plan Proposed Monthly Member Contribution Rates* Plan Year 2024</b>			
	<b>PY23</b>	<b>PY24</b>	<b>Change from Current Rate</b>
<b>Short-term Disability</b>	\$0.26	\$0.24	<b>\$(0.02)</b>
<b>Long-term Disability</b>	\$0.68	\$0.68	No change

\*Rates per \$100 of monthly covered salary

Discussion  
Action Item