



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.

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.
Raymond W. Tilotta
Ronald W. Tobleman, F.S.A.
David G. Wilkes, F.S.

April 29, 2024

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 2025

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 2025 (FY25). 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.

Mr. Porter Wilson
Page 2
April 29, 2024

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 was 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.

Since the DHMO premium rates continue to be guaranteed through FY25, the rates currently in effect will be sufficient to cover the contractual cost for FY25.

Recommendation

We recommend that DHMO member contribution rates for FY25 be maintained at the level currently in effect for FY25 which is 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

o:\users\nancy\ugip\ugip24\Agenda May 2024\Wilson-DHMO25.docx

GROUP BENEFITS PROGRAM

Dental Health Maintenance Organization Plan

Recommended Monthly Member Contribution Rates for FY 2025

Coverage Category	Monthly Member Contribution Rates		
	Current FY24	Recommended FY25	Change
Member Only	\$ 9.59	\$ 9.59	\$0.00
Member and Spouse	19.18	19.18	0.00
Member and Children	23.02	23.02	0.00
Member and Family	32.59	32.59	0.00
Spouse Only	9.59	9.59	0.00
Child(ren)	13.43	13.43	0.00
Spouse and Child(ren)	23.02	23.02	0.00