

Public Agenda Item #16

Consideration of Proposed Plan Year 2025 Rates for the Group Benefits Program Optional Coverages - (Action)

May 22, 2024

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State of Texas Dental Choice Plan and Dental Health Maintenance Organization

GBP Dental Plans

Recommendation



- State of Texas Dental Choice Plan (PPO)
 - No contribution increase recommended for PY25

- DHMO
 - No contribution increase recommended for PY25

State of Texas Dental Choice Plan

PY24



GBP Dental Choice Member Enrollment as of March 31, 2024

	PY23	PY24
Member Only	124,961	132,760
Member & Spouse	38,541	39,512
Member & Child(ren)	27,856	29,549
Member & Family	23,500	24,156
Total	214,858	225,977

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, 2024;
 - estimated trends in per capita benefit costs;
 - projected provider reimbursement;
 - historical enrollment patterns;
 - contractually guaranteed administrative fees; and
 - notable benefit changes (if applicable).
- Eligible international claims will be reimbursed as out-of-network claims payable in US dollars to participant.

State of Texas Dental Choice Plan Experience



Projected through PY25

State of Texas Dental ChoiceSM Projected Experience (Through PY25)

	PY22	PY23	PY24 Projected	PY25 Projected
Contributions	112,744,000	119,713,000	125,540,000	129,307,000
Claims	108,363,000	112,619,000	119,379,000	125,420,000
Administrative Cost	4,736,000	4,957,000	5,203,000	5,360,000
Gain/(Loss)	\$(355,000)	\$2,137,000	\$958,000	\$(1,473,000)

State of Texas Dental Choice Plan



Proposed PY25 Rates

- ERS Actuarial and Reporting Services team and Rudd and Wisdom recommend no increase to PY25 member contribution rates.

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

	Current PY24	Proposed PY25	Change from Current Rate
Member Only	\$ 28.73	\$ 28.73	\$0.00
Member & Spouse	57.46	57.46	0.00
Member & Child(ren)	68.95	68.95	0.00
Member & Family	97.68	97.68	0.00

Dental Health Maintenance Organization

PY24



DHMO Member Enrollment as of March 31, 2024

	PY23	PY24
Member Only	37,433	37,742
Member & Spouse	9,038	8,444
Member & Child(ren)	6,419	6,376
Member & Family	4,958	4,583
Total	57,848	57,145

Dental Health Maintenance Organization



Proposed PY25 Rates

- ERS Actuarial and Reporting Services team and Rudd and Wisdom recommend no increase to PY25 member contribution rates.

State of Texas Dental Choice Proposed Monthly Contribution Rates

	Current PY24	Proposed PY25	Change from Current Rate
Member Only	\$9.59	\$9.59	\$0.00
Member & Spouse	19.18	19.18	0.00
Member & Child(ren)	23.02	23.02	0.00
Member & Family	32.59	32.59	0.00

Discussion

State of Texas Vision Plan

State of Texas Vision

Recommendation



- No contribution increase recommended for PY25.
 - Expenses are expected to continue to exceed contributions.
 - Funds accrued from prior years are sufficient to cover losses.

Vision Plan Enrollment

PY24



GBP Vision Plan Member Enrollment as of March 31, 2024

	PY23	PY24
Member Only	107,499	118,516
Member & Spouse	27,181	29,220
Member & Child(ren)	22,926	25,212
Member & Family	19,066	20,262
Total	176,672	193,210

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 March 31, 2024
 - estimated trends in benefit costs;
 - projected provider reimbursement rates;
 - contractually guaranteed administrative fees; and
 - Notable plan changes (if any)

Vision Plan Experience

Projected through PY25



State of Texas Vision Plan Projected Experience (Through PY25)

	PY22	PY23	PY24 Projected	PY25 Projected
Contributions	13,913,000	14,932,000	16,251,000	16,979,000
Claims	13,627,000	14,877,000	17,880,000	18,774,000
Administrative Cost	1,046,000	1,138,000	393,000	412,000
Gain/(Loss)	\$(760,000)	\$(1,083,000)	\$(2,022,000)	\$(2,207,000)

State of Texas Vision



Proposed PY25 rates

ERS Actuarial and Reporting Services team and Rudd and Wisdom recommend no change to PY25 plan contribution rates.

State of Texas Vision Proposed Monthly Member Contribution Rates

	PY24	PY25	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 Accidental Death & Dismemberment Plans



Recommendation

- Life and AD&D Plans
 - No contribution increase recommended for PY25

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)

- Accidental Death & Dismemberment (AD&D)
 - Fully-insured by Minnesota Life.
 - Based on premium rates guaranteed for the term of the contract.

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 ten 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



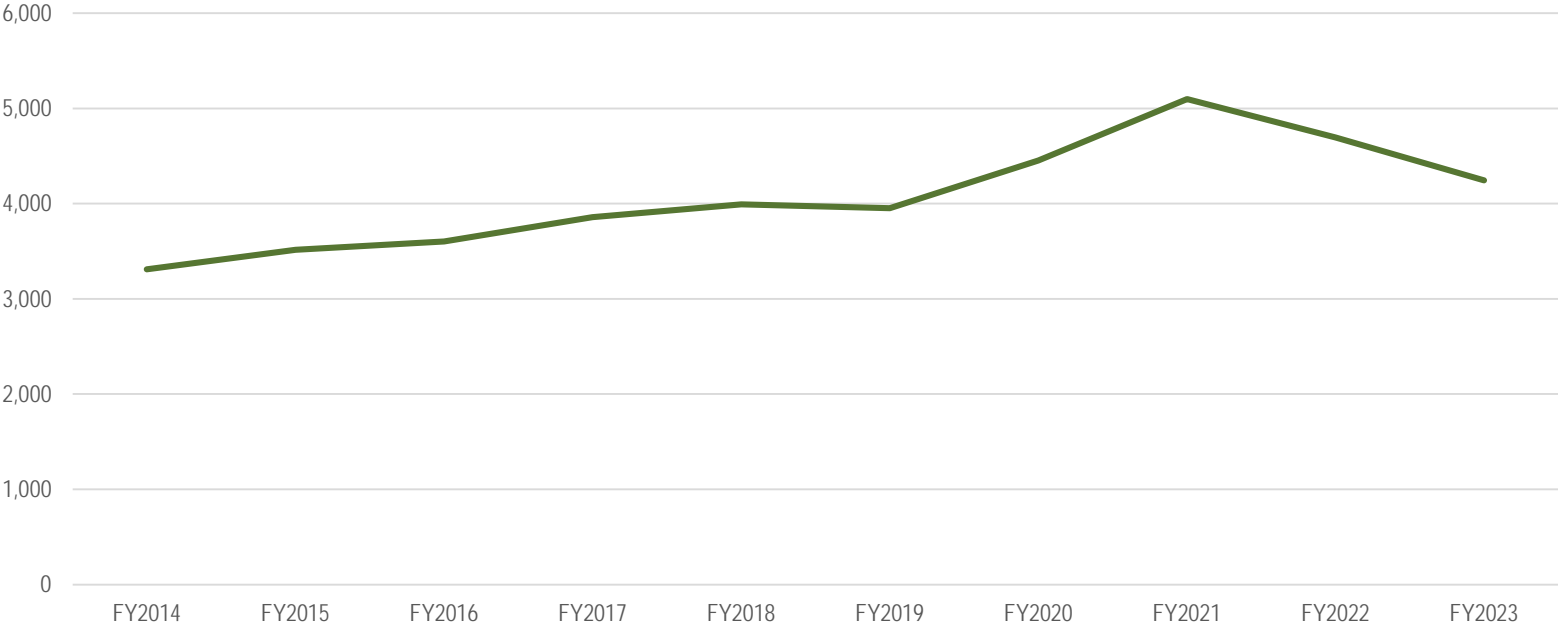
- The pandemic caused a significant claims increase.
- Claims peaked in PY21 and have since come back down in PY22 – PY24.
- Despite reduction claims continue to be elevated relative to pre-pandemic levels.

Basic and Optional Life

COVID-19 Impact



Life Claims



Basic and Optional Life

Experience Summary PY14 – PY23



Coverages *	Average Volume	Total Premium	Incurred Claims	Administrative Fees	Gain/(Loss)
Basic Life	\$1,353,471,000	\$84,823,000	\$94,908,000	\$2,154,000	(\$12,239,000)
Optional Life	\$21,174,142,000	\$776,295,000	\$806,012,000	\$19,145,000	(\$48,862,000)
Dependent Life	\$461,413,000	\$22,235,000	\$22,665,000	\$580,000	(\$1,010,000)
Life Total	\$22,989,026,000	\$883,353,000	\$923,585,000	\$21,879,000	(\$62,114,000)

*Includes both employee and retiree lives.

Life and AD&D

Proposed PY25 Rates



	Current PY24	Proposed PY25	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 Age Range from <25 to ≥90 Per \$1,000 of coverage	\$ 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
Voluntary AD&D: Per \$1,000 of coverage			
Employee Only	\$ 0.02	\$ 0.02	No change
Employee & Family	\$ 0.04	\$ 0.04	No change

Discussion

Texas Income Protection Plan

- Short-term disability – recommend no change
 - Short-term disability claims are significantly reduced in PY22, PY23, and PY24.
 - ERS staff is recommending increasing benefits rather than a rate decrease.
- Long-term disability – recommend no change
 - Rates were increased in PY22 and are expected to be adequate in PY25.

Texas Income Protection Plan (TIPP)



Two self-funded plans

- Short-term disability – Currently benefits last approximately five months after a one-month waiting/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 waiting/elimination period.
- Member contributions fund benefits.

TIPP Member Enrollment as of March 31, 2024

	PY24	PY25
Short-Term Disability	105,439	108,682
Long-Term Disability	80,654	82,618

- The 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.

TIPP

Proposed Plan Design Change



- The incidence rate for disability claims has fallen the last few years resulting in significant gains.
- Staff has worked with the plan administrator and benefit consultants to compare the TIPP plan design to the market.
- The result is that instead of reducing rates staff is recommending a reduction in the waiting/elimination period from 30 days to 14 days and extending the benefit period to 166 days.
- ERS consulting actuary estimates a 30% cost increase.

TIPP

Short-term Disability Experience



	PY21	PY22	PY23
Member Contributions	\$13,900,000	\$13,704,000	\$14,535,000
Incurred Claims	\$9,759,000	\$7,786,000	\$7,081,000
Administrative Fees	\$3,034,000	\$2,896,000	\$2,916,000
Total Expense	\$12,793,000	\$10,682,000	\$9,997,000
Contribution Gain / (Loss)	\$1,107,000	\$3,022,000	\$4,538,000

PY13 – PY22 Cumulative	
Adjusted Member Contributions*	\$306,857,000
Incurred Claims with Discounted Reserves	\$256,967,000
Administrative Fees	\$28,420,000
Total Expense	\$285,387,000
Contribution Gain / (Loss)	\$21,470,000

*Adjusted to in force rates.

Texas Income Protection Plan Proposed Monthly Member Contribution Rates* Plan Year 2024			
	PY23	PY24	Change from Current Rate
Short-term Disability	\$0.26	\$0.26	No change
Long-term Disability	\$0.68	\$0.68	No change

*Rates are per \$100 of monthly covered salary

Discussion
Action Item