

House Public Health Committee

Interim Charge #2

April 5, 2016

Porter Wilson, Executive Director
Employees Retirement System of Texas



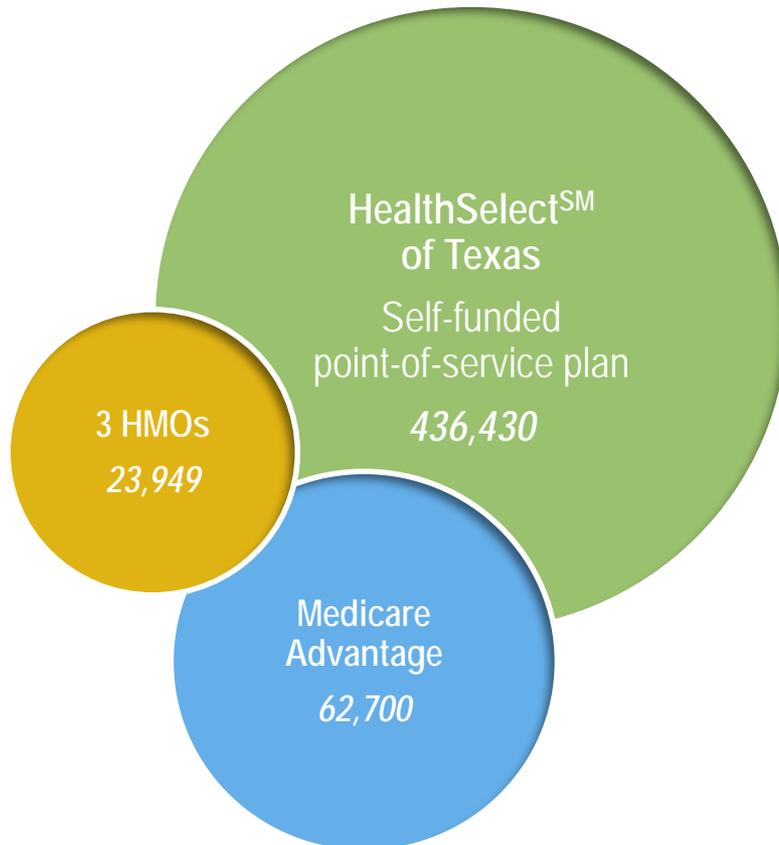
ERS supports state employees and retirees by offering competitive benefits at a reasonable cost.



The GBP covers more than half a million people – that's one in 52 Texans!



95% of employees and 50% of retirees are enrolled in HealthSelect



Who can enroll in GBP coverage?

Employees and eligible dependents

- State and higher education employees (except UT and Texas A&M),
- TX County and District Retirement System,
- TX Municipal Retirement System,
- Community Supervision and Corrections Department, and
- Windham School District

Retirees and eligible dependents

- State agency and some Higher Education retirees,
- Must have 10 years of eligible service credit and age 65+, or meet the Rule of 80.
- Auto-enrolled in HealthSelectSM Medicare Advantage at age 65

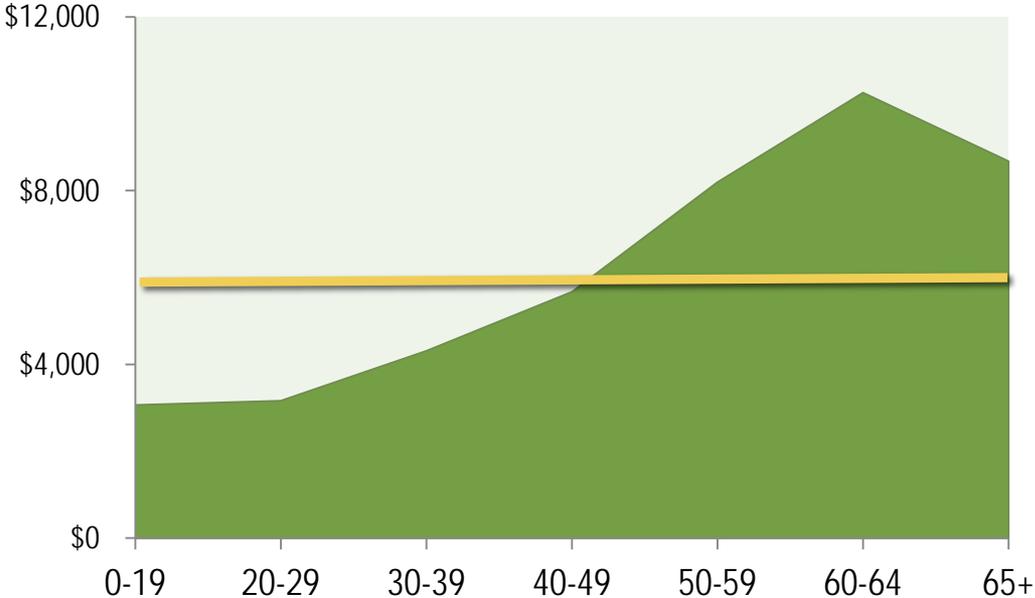
HealthSelect is a cost-efficient, self-funded plan



97 cents of every dollar goes toward health care claims

ERS averages costs so the plan stays affordable for the group

HealthSelect annual claims cost by age, FY15 (medical and pharmacy, plan costs only)

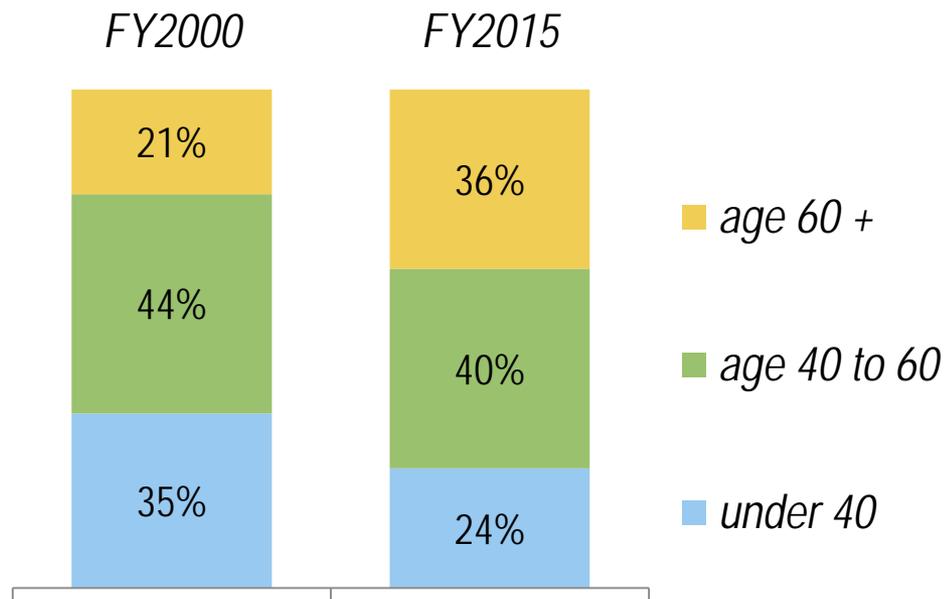


Source: ERS FY15 Cost Management and Fraud Report

The Group Benefits Program population is aging



36% of GBP members are older than 60
(members include employees and retirees, no dependents)



GBP Member Highlights

- Average member age is 45
- Median income is \$40,000
- 55% are women
- 40% enroll dependents

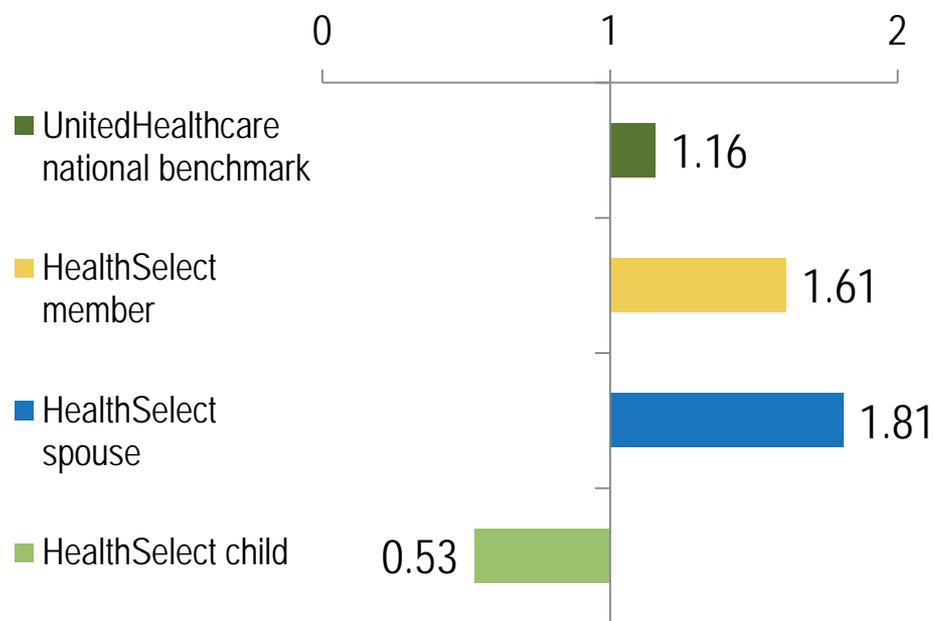
Source: ERS Business Intelligence Data Warehouse. The age distribution chart includes employees and retirees (no dependents). Salary data relates to active state and higher education employees only. August 31, 2015.

HealthSelect participants have a higher demographic risk



- HealthSelect demographic risk factor is 38% higher than UnitedHealthcare's national book of business
- HealthSelect participants are older, and more female
 - Members are 55% female; age 49
 - Spouses are 62% female; age 53
 - Children are 51% male; age 14
- Spouses are the most expensive group

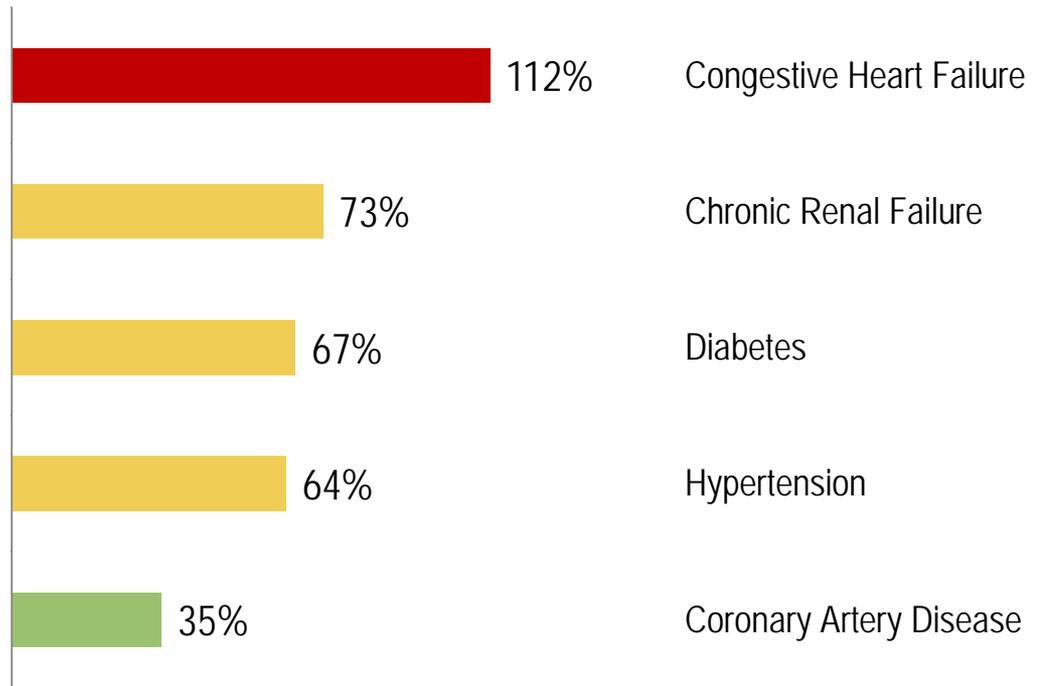
HealthSelect demographic risk factor is higher than other employer-based plans
(based on age and gender)



Higher risk means higher claims costs

- HealthSelect has higher claims costs on common diagnoses such as diabetes, hypertension, and congestive heart failure.
- Benchmark is UnitedHealthcare's national book of business.

HealthSelect claims costs are higher than other employer-based plans

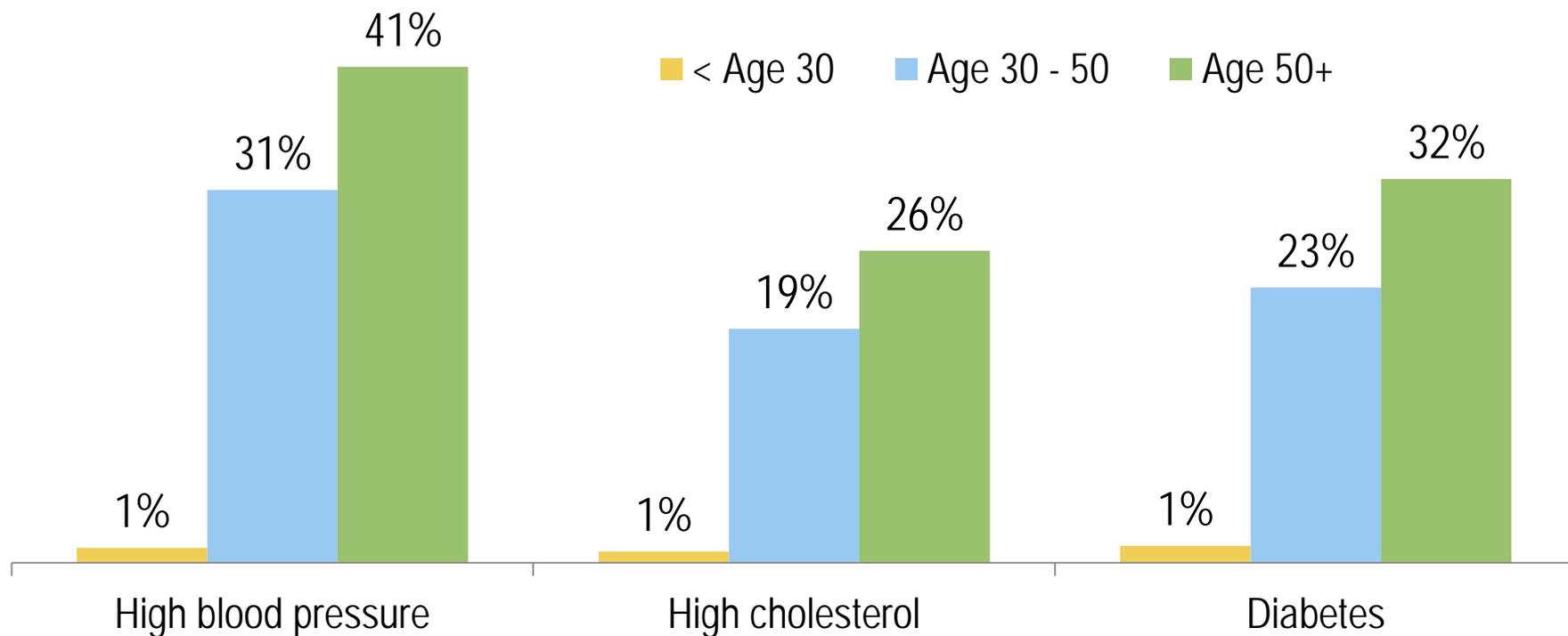


Source: HealthSelect third-party administrator's annual statistical report p.45, comparing HealthSelect per-member per-month claims costs for certain conditions to a national benchmark, FY15; benchmark is UnitedHealthcare's national book-of-business

As HealthSelect participants age, their chances of having a chronic illness increase greatly



HealthSelect prevalence of chronic conditions by age group, FY15



Source: HealthSelect, all participants (members and dependents), current as of August 31, 2015.

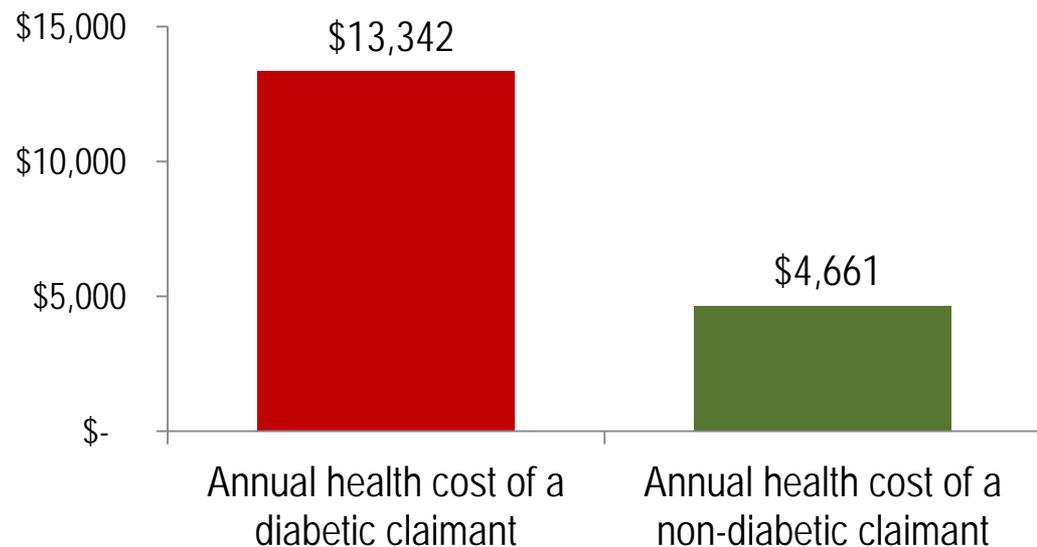
Data Note: Prevalence in the >50 group does not include Medicare-eligible participants enrolled in Medicare Advantage.

HealthSelect paid over \$630 million in medical and drug costs for participants with diabetes in FY15



- Primary-condition diabetics have
 - 110% higher claims costs,
 - 44% more ER visits, and
 - 110% more inpatient admissions.
- They also have longer hospital stays and more hospital readmissions.
- Physical inactivity and obesity are strongly associated with the development of type 2 diabetes.

12% of HealthSelect participants with diabetes generate **27%** of plan costs



Source: ERS Business Intelligence Data Warehouse and UnitedHealthcare Annual Statistical Report. Data applies to the non-Medicare population enrolled in HealthSelect. Costs include both medical and pharmacy claims. FY15 reporting

Diabetes is the top category for drug spending

More people have high blood pressure, but they have more generic drug choices



FY15 prescriptions filled by therapeutic category

Therapeutic Category	Fiscal Year		
	FY13	FY14	FY15
Diabetes	474,781	506,066	535,948
High Blood Pressure	770,127	798,623	789,170
High Cholesterol	666,134	676,293	662,564

FY15 drug spending by therapeutic category

Therapeutic Category	Fiscal Year		
	FY13	FY14	FY15
Diabetes	\$65M	\$83M	\$112M
High Blood Pressure	\$19M	\$20M	\$17M
High Cholesterol	\$39M	\$43M	\$38M

New diabetes programs – free to eligible participants

Real Appeal and TelCare



- **Real Appeal online diabetes prevention program focused on weight loss**
 - Free to eligible HealthSelect participants
 - Free personalized clinical plan and tool kit
 - Up to 52-weeks of online coaching sessions and unlimited use of web-based interactive tools
 - Pay-for-performance – HealthSelect is only billed if participants attend weekly sessions and lose weight.

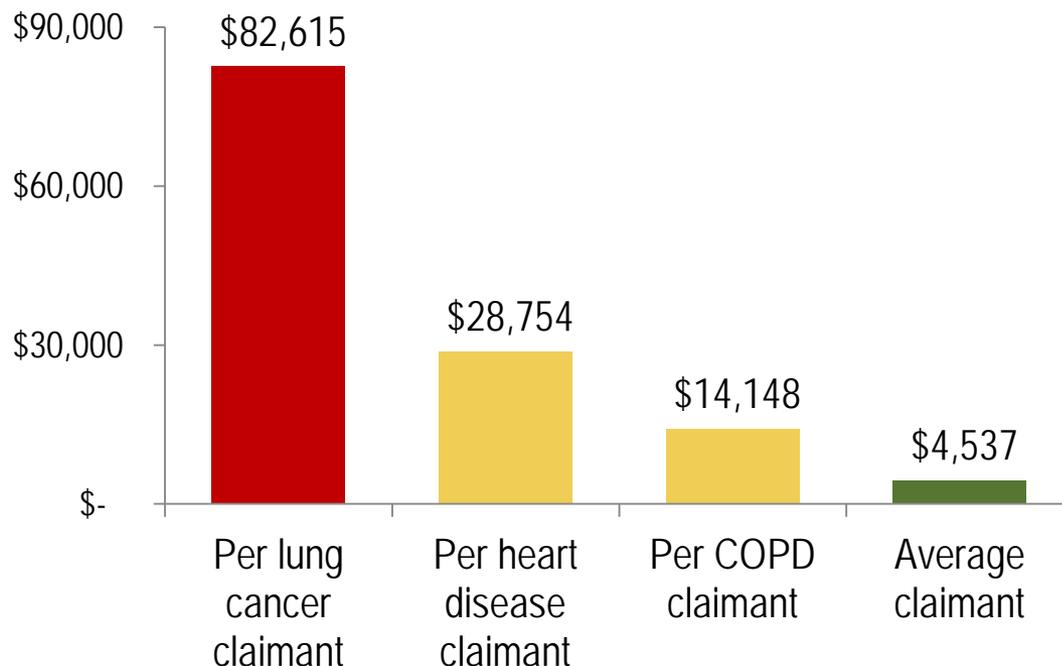
- **TelCare pilot with Austin Regional Clinic**
 - Handheld device provides immediate feedback after every blood sugar reading
 - Also tracks nutrition, activity, weight
 - Reporting is sent to the doctor's office and added to the patient's electronic medical record
 - Does not require a smart phone or wireless access; no data charges

Heart disease, COPD and lung cancer are high-cost conditions linked to smoking

- “Heart disease” includes heart attacks, congestive heart failure and coronary artery disease (CAD). Heart disease claimants have:
 - 700% higher claims costs,
 - 240% more ER visits, and
 - 180% more inpatient admissions
- “Chronic obstructive pulmonary disease” includes COPD, emphysema, and bronchitis.

Annual medical cost per claimant with high-cost smoking-related illnesses

medical costs only, does not include pharmacy costs, HealthSelect FY15



Source: UnitedHealthcare Annual Statistical Report, FY15. Data represents net annual medical cost to the plan (no pharmacy included) per claimant with the identified condition. Some participants may fall into more than one disease category.

Tobacco users have help – and financial incentives – to quit

Tobacco users pay \$30 a month,
up to \$90 per family



- ~40,000 people self-certified as tobacco users last year.
- Tobacco cessation assistance
 - HealthSelect paid \$750,000 for 2,700 Chantix prescriptions in FY15.
 - All health plans have free tobacco cessation programs
 - “Choose to Quit” program also available
- \$14.3 million in revenue helps ERS offset GBP costs, including those associated with tobacco use.

Wellness and disease management programs



No incentives = Low participation

- **Very low enrollment**
 - <1% of eligible participants enroll in wellness programs for weight management, nutrition, tobacco cessation and diabetes lifestyle
 - 38% of qualified participants engage in telephone counseling for high-risk disease management
- **Legislative incentive**
 - The Legislature could charge higher premiums to people who don't enroll in disease management when qualified.
- **Plan design incentive**
 - ERS Board of Trustees could add a deductible to the plan design and allow people to "buy it down" with health risk assessments or biometric screenings.

Employees report positive experiences with HealthSelect weight management program



- Lisa lost 60 pounds and cut her blood pressure medication in half using the HealthSelect Weight Management program
- Her free coach helped her come up with a plan: "nothing dramatic, nothing costly, but a plan to help me make better choices."

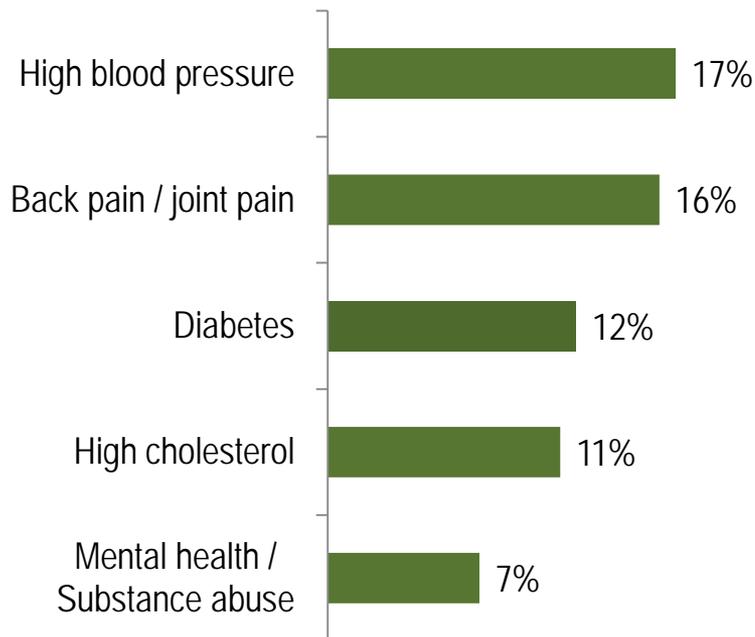


APPENDIX

Health status is linked to emotional well-being



High blood pressure is the most common condition for employees
HealthSelect FY15



Adults report: chronic illness is as stressful as divorce

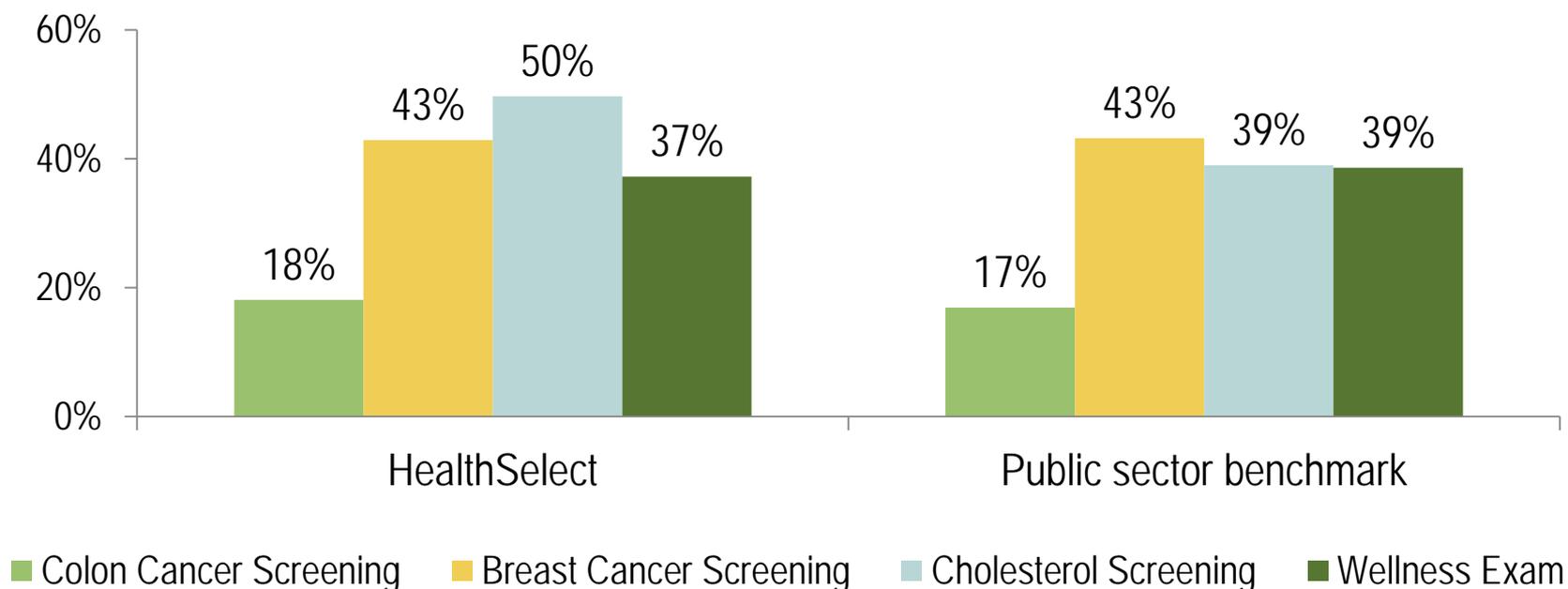
Life event	% who felt stressed	% who felt depressed
Divorce or separation	79%	68%
Chronic illness /condition diagnosed	78%	42%
Serious illness or major surgery	66%	41%
Gained a lot of weight	61%	68%
Stopped smoking	58%	13%
Death of a spouse	50%	92%

Source: Chronic conditions reported by HealthSelect TPA for FY15; Moschis, George, PhD, *Baby Boomers and their Parents: Surprising Findings about their Lifestyles, Mindsets and Well-being*, 2007

HealthSelect spent \$32 million in FY15 to cover preventive care at 100%



Even with the plan paying 100% of the cost, use of preventive care services is low



Source: UnitedHealthcare Annual Statistical Report, FY15.

Percentages are of the targeted population (those who qualify for specific preventive services under federal guidelines)

Comparing costs and prevalence for common diagnoses related to smoking and obesity



	HealthSelect Net Medical Paid Per Member Per Month	HealthSelect claimants per 1,000
Intervertebral Disc Disorders	\$18.42	116.6
Coronary Artery Disease	\$10.85	21.8
Chronic Renal Failure	\$ 5.18	8.4
Diabetes	\$ 5.76	129.1
Congestive Heart Failure	\$ 3.06	5.2
Hypertension	\$ 2.62	140.3
Chronic Obstructive Pulmonary Disease	\$ 1.17	24.7

HealthSelect spent \$13.4 million on bariatric surgery benefits since FY11



SB2577 (81R) required ERS to provide a cost-neutral bariatric surgery benefit.

- Must be performed at a Center of Excellence; \$5,000 deductible
- Employee must have five years of continuous GBP coverage, a BMI of 40 or greater, and an uncontrolled comorbidity
- Must participate in a nonsurgical weight loss program 12 months prior to the surgery and have psychological counseling

Findings

- Average cost per “total episode of care” was about \$52,000
- 255 people have had bariatric surgery since FY11
- The large majority continued working for the state after the surgery
- Long-term cost impact of the procedure is still being monitored

Questions?