

# 3. Meeting of the ERS Board of Trustees

December 13, 2017



# Public Agenda Item #1.1

*Call Meeting of the Board of Trustees to Order*

December 13, 2017

## Public Agenda Item #2.1

*Approval of the minutes to the August 23, 2017 meeting of the  
Board of Trustees – (Action)*

December 13, 2017

Questions?  
(Action Item)

## Public Agenda Item #3.1

Executive Session – In accordance with section 551.074, Texas Government Code, the Board of Trustees will meet in executive session to evaluate the duties, performance and compensation of the Internal Auditor of the Employee Retirement System of Texas. Thereafter the Board may consider appropriate action in open session.

December 13, 2017

## Public Agenda Item #4.1

*\*Training Regarding the Health Insurance Portability and Accountability Act of 1996 (HIPAA)*

December 13, 2017

Nancy Lippa, Assistant General Counsel and HIPAA Privacy Officer  
Darcie A Falsioni, Counsel, Nixon Peabody, LLC

DARCIE FALSIONI, ESQ.



# Why do I need to learn more about HIPAA Privacy and Security?



- To discuss the practical implications of the law on the operation of the ERS-administered GBP Group Health Plans (collectively, the “Plan”).
- ERS’s unique structure makes it more important to understand when HIPAA applies.



# Who has to Comply with HIPAA?



- “Covered Entities” are the types of entities that are directly subject to HIPAA regulation of privacy and security:
  - Health Plans
  - Health Care Providers
  - Health Care Clearinghouses



# Group Health Plans are “Covered Entities” Under HIPAA



- Health Plan: any individual or group plan that provides, or pays the cost of medical care, including:
  - › Employee Group Health Plans (e.g.: medical, dental, vision, health FSA, EAP) sponsored by an employer or employee organization. For ERS, these plans are part of the Texas Employees Group Benefits Program (GBP).
  - › Other types of health plans include HMOs, health insurers, and Medicare and Medicaid programs.
- However, depending on the situation, information received by an employer regarding its employees’ health coverage may not be protected by HIPAA.



# Employees Retirement System of Texas GBP Group Health Plans



## Self-Funded Benefits

- HealthSelect<sup>SM</sup> Medical and Prescription Drug Benefit Plans
  - HealthSelect, Consumer Directed HealthSelect, HealthSelect Out of State, and HealthSelect Secondary
- State of Texas Dental Choice PPO
- State of Texas Vision
- TexFlex Health Care Flexible Spending Account Benefits

HIPAA compliance for fully-insured benefits, including HumanaDental DHMO, other GBP HMOs, the HealthSelect Medicare Advantage Plan and, for ERS only, the Employee Assistance Plan, is the responsibility of the insurance carrier.



# Basic Privacy Rule



- Basic Privacy Rule is that a Covered Entity may not use or disclose an individual's protected health information ("PHI"), without the individual's written authorization,

## **UNLESS . . .**

- The use or disclosure is specifically permitted by the Privacy Rule (for treatment, payment or healthcare operations).

# Protected Health Information



- **Protected Health Information (PHI):** Individually identifiable health information transmitted or maintained in any form or medium (electronic, written or oral).



# Protected Health Information



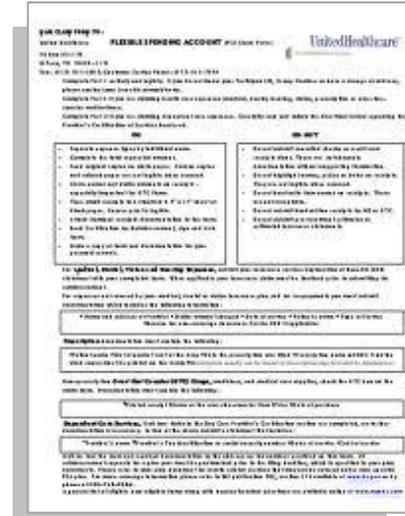
- Individually identifiable health information means information, including genetic information:
  - Collected from an individual;
  - Created or received by a Covered Entity;
  - That relates to the past, present or future physical or mental health or condition of an individual; provision of health care to an individual; or the past present or future payment for the provision of health care; and
  - That identifies the individual or can be used to identify the individual.



# Examples of GBP Group Health Plan PHI



- Enrollment data showing which members have elected which benefit plans (once provided to the Plan);
- An Explanation of Benefits (EOB) form;
- Information about a Plan participant's covered dependents;
- Conversations about a Plan participant's health information;
- Claims reports;
- Dental claim forms and receipts.



# Not All Medical Information is PHI



- Family and Medical Leave Act information
- Americans with Disabilities Act information
- Pre-employment screening results
- Workers' compensation information
- Long and short-term disability information



*The confidentiality of this information still may be protected by other state or Federal laws.*



# Minimum Necessary Standard



- Minimize the amount of PHI used and disclosed to the amount necessary to carry out the purpose of the use or disclosure; and
- Limit who has access to PHI.
- The Plan is responsible for ensuring that access to PHI is limited to the minimum necessary for each employee's roles and responsibilities.
- To the extent possible, the Plan will use a Limited Data Set, which is PHI that excludes 16 different identifiers (e.g., names, phone numbers, account numbers).
- If the Plan cannot use a Limited Data Set, it will provide only the minimum necessary information for the task.



# Compliance Requirements



- Covered Entities must provide all plan participants with a copy of its Notice of Privacy Practices (“NOPP”) describing all uses and disclosures of PHI that the Covered Entity is permitted or required to make.
- Covered Entities must develop and implement policies and procedures facilitating the individual rights provided under HIPAA.
- Privacy and Security Officials must be designated with responsibility to develop the policies and procedures of the entity with respect to PHI.



# ERS's HIPAA Structure



# Why do I need to learn more about HIPAA Privacy and Security?



- Need to clearly define and understand roles.
- Must create firewalls between entities.
- Cannot use information obtained in one role for another purpose, unless specifically allowed under HIPAA.

For example, ERS, in its role as an employer, cannot access information about Plan participants that comes through a GBP Group Health Plan.

# Understanding Roles



When ERS is wearing its **EMPLOYER** hat...

- ERS may not receive PHI from the Plan.
- ERS may not access PHI from the Plan.
- ERS may not request PHI from the Plan.
- ERS may not use PHI for employment-related decisions.

## **TRUE or FALSE:**

An employee enrolled in the health plan was late for work claiming he had a doctor's appointment. His manager can verify this by requesting claims data from the plan.

# Understanding Roles



When ERS is wearing its **PLAN** administrator hat...

- ERS may not use or disclose PHI from the Plan without an authorization, unless such use is for –
  - › Treatment,
  - › Payment, or
  - › Health Care Operations
- Minimum Necessary standard applies.

## **TRUE or FALSE:**

- ERS can provide other agencies with PHI to help develop cost containment programs for the Plan.



# Compliance Requirements: HIPAA Firewalls



- Group Health Plans include language in the plan documents governing the Plan designating those employees who need access to PHI for plan administration purposes and restricting its use.
- PHI cannot be disclosed to employees unless the Plan has this language.
- Information gained in the process of health plan administration cannot be used for any other employment purpose:
  - ›e.g., health claims information cannot be given to another department/agency to determine whether an employee is eligible for disability or FMLA benefits
  - ›e.g., fraud discovered by the health plan cannot be reported to a participating employer for purposes of employee discipline



# Overview: Security Rule



- The Plan and its Business Associates are required to implement administrative, physical and technical safeguards to protect PHI.
- The Plan is required to:
  - ›Protect against reasonably anticipated threats or hazards to security;
  - ›Protect against reasonably anticipated wrongful uses or disclosure; and
  - ›Ensure workforce compliance through training and other measures.

# Security Rule



- The Omnibus Rule imposed significant new requirements for Covered Entities and Business Associates that experience a “Breach.”



# Definition: Breach



- A “Breach” is the unauthorized acquisition, access, use or disclosure of protected health information, which compromises the security or privacy of such information, except where an unauthorized person to whom such information is disclosed would not reasonably have been able to retain such information.
- An unauthorized access, use or disclosure is **presumed** to be a breach unless the Covered Entity can document that there is a **low probability** that the information was compromised.

# Exceptions



- An unintentional acquisition, access or use of PHI by a workforce member or person acting under the authority of the Plan or Business Associate, if such acquisition was in good faith and within the scope of authority and does not result in further impermissible uses or disclosures.
- An inadvertent disclosure by a person who is authorized to access PHI at the Plan or Business Associate to another person authorized to access PHI at the same Plan or same Business Associate, or organized health care arrangement in which the Covered Entity participates, and the information received as a result of such disclosure is not further used or disclosed in a manner not permitted under HIPAA.
- A disclosure of PHI where the Plan or Business Associate has a good faith belief that an unauthorized person to whom disclosure was made would not reasonably have been able to retain such information.



# Best practices to protect high risk data, including PHI and employer records



- Paper records
  - Any documents with SSN and medical insurance number
  - W-2s
  - Benefits records
  - Workers' compensation
  - Health records
- Locked filing cabinets
- Locked facility and required keycard access
- Only accessed by authorized personnel with a need to know
- Implement a “Shred Policy”
- Destroy any paper records that don't need to be kept/stored
- Keep computer screen locked when not at workstation



# Assemble a Response Team



- Information Security Officer
- Legal Counsel
- Representative from management
- Others, depending upon circumstances (IT personnel, etc.)
- ERS Incident Response Team



# Performance of Risk Assessment



- Based on criteria:
  - › The nature and extent of the PHI involved, including the types of identifiers and the likelihood of re-identification.
  - › The unauthorized person who used the PHI or to whom the disclosure was made.
  - › Whether the PHI was actually acquired or viewed.
  - › The extent to which the risk to the PHI has been mitigated.

# Timeframe for Breach Notification



- Time for notification of a breach:
  - › 60 calendar days after discovery of breach (unless law enforcement requires delay).
  - › Clock starts ticking when 1st employee knew or should have known of the breach.
  - › The Plan must notify individuals within this time.
  - › Business Associates must notify the Plan within this time.
- Different steps must be taken depending on the severity of the breach.
  - › May include notifying public officials and the media, and posting on the Web.
- If you believe a breach may have occurred, notify the Privacy Officer, Information Security Officer (ISO) or Privacy Incident Manager immediately!



# Do Not Engage in Legal Analysis



- If you think a breach or security incident might have occurred, report it immediately even if you think an exception applies!
  - › Employees may be subject to discipline for not reporting a suspected HIPAA breach or incident.
  - › Employees are more likely to face discipline for covering up a suspected breach than providing notification.
  - › HIPAA offers protections against retaliation by the Plan in many cases.
  - › IF YOU THINK THERE'S AN ISSUE WITH THE PLAN'S HIPAA POLICIES OR PROCEDURES, REPORT THEM TO THE PLAN'S PRIVACY OR SECURITY OFFICER.
    - The risk is high and they want to do things right.



# Enforcement Audits



- Secretary of HHS required under HITECH to conduct periodic audits of covered entities and Business Associates for compliance and enforcement purposes.
- Secretary of HHS is required to report the number of audits and a summary of audit findings to Congress.
- Reports will be made available on HHS website.
- Increased enforcement activities by OCR.
- All civil monetary penalties go back to OCR for enforcement proceedings.

# Penalties for Violation



Penalties are tiered, depending on conduct

- Unknown
  - › \$100 per violation up to \$25,000 for all identical violations in a calendar year, with a cap of \$1.5 million.
- Reasonable cause that is not willful neglect
  - › \$1,000 for each violation up to \$100,000 for all identical violations in a calendar year, with a cap of \$1.5 million for all violations of this type in a calendar year.



# Penalties for Violation (Cont'd)



- Willful neglect
  - › If violation corrected within 30 days of knowledge: \$10,000 for each identical violation, up to \$250,000 for all identical violations in a calendar year, with a cap of \$1.5 million for all violations of this type in a calendar year
  - › If violation not corrected: \$50,000 for each violation, up to \$1.5 million for all identical or non-identical violations in a calendar year



# Enforcement Provisions



- HIPAA also carries criminal penalties for persons who “knowingly” obtain or disclose PHI in violation of the Privacy Rule, or who improperly use unique health identifiers, under 42 U.S.C. § 1320d–6(a):

	Fine	Prison
Knowingly	\$50,000	One year
False Pretenses	\$100,000	Five years
For Profit, Gain, or Harm	\$250,000	Ten years

# Incident Reporting



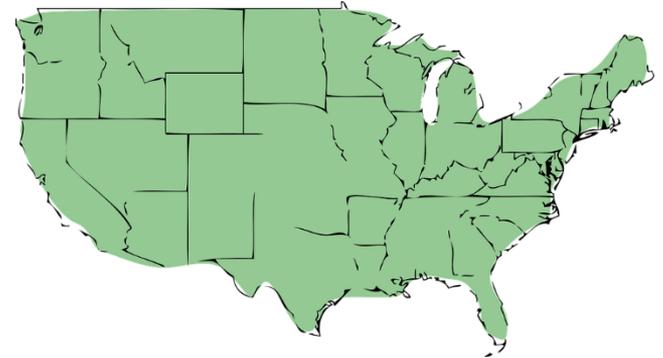
- To report an information security problem, theft of computer equipment or if you suspect there may be a problem, contact the Plan's Privacy Incident Manager, Privacy Officer or Information Security Officer.
- When in doubt REPORT.
- Do not attempt to make investigative or legal decisions.



# Enforcement by State Attorneys General



- State AGs may commence civil actions in federal district court for violations of HIPAA.
- Damages: \$100 per violation with a cap of \$25,000.
- Costs and attorneys' fees may be awarded to State.
- OCR has trained State AGs on HIPAA enforcement.
- No private right of action to enforce HIPAA.



# State Breach Notification Laws



- 46 states have enacted; Texas has the Identity Theft Enforcement and Protection Act.
- Most require reasonable belief that information will be used for identity theft.
- HIPAA does not supersede state law if state law is more stringent.
- Need to comply with both state and HITECH if there is a breach.
- Notification to state authorities.
  - › Attorney General
- Civil Penalties differ per State.

Questions?

## Public Agenda Item #5.1

*Discussion and Consideration of the Rules of the Board of Trustees, Texas Administrative Code, Title 34, Part IV, Required Rule Review of Chapter 79 (Social Security) - (Action)*

December 13, 2017

Paula A. Jones, Deputy Executive Director and General Counsel

# Required Rule Review

## *Chapter 79 (Social Security)*



- Per Tex. Government Code Ch. 606, ERS is responsible for administration of Social Security for state and local governmental employees in Texas under both state and federal law.
- Governmental employees are covered under Social Security by agreement between the state and federal government under a Section 218 Agreement.
- ERS acts as liaison with the Social Security Administration, oversees modifications of the Section 218 Agreement and maintains modifications and historical referendums.

# Required Rule Review

## *Chapter 79 (Social Security)*



- Texas law requires review of rules every four years. Staff reviewed Chapter 79 per § 2001.039, Tex. Gov't Code
- Notice of rule review was published in the December 2, 2016, issue of the *Texas Register*. No comments were received by ERS.
- No changes to Chapter 79 recommended at this time.

# Required Rule Review (Chapter 79)

## *Staff Recommendation*



- Readopt Chapter 79 (Social Security) with no changes.

# Questions?

(Action Item)

## Public Agenda Item #5.2

*Discussion and Consideration of the Rules of Board of Trustees, Texas Administration Code, Title 34, Part IV Adoption of Amendments to Chapter 63 (Rule 63.17 GBAC) - (Action)*

December 13, 2017

Keith Yawn, Strategic Initiatives Director

# Rationale for Rule Amendment



- Following Sunset Commission passage of a directive for ERS to create a stakeholder advisory committee, in November 2016, and the ERS Board's adoption of a committee charter document, in August 2017, ERS staff developed appropriate rule language to match existing structures for the Medical Board and Investment Advisory Committee.
- The amendment is proposed under the **Texas Insurance Code, §1551.052**, which authorizes the Board to adopt rules to implement group benefits, and **Texas Government Code, §815.509**, which authorizes the Board to establish advisory committees as it considers necessary.

# Rule Amendment Language



- Notice of rule amendment was published in the October 20, 2017 issue of the *Texas Register*.
- No comments were received by ERS.

## **§63.17 Advisory Committees**

(a) The Medical Board (Government Code, §815.204) is created pursuant to law. This committee will be composed of the number of people directed by law and will have the purposes, tasks, and reporting requirements established by law. Remuneration, if any, for committee members will be determined by the board. The committee will perform its tasks until abolished by the legislature.

(b) The Investment Advisory Committee (IAC) is created to consult with and advise the board on investments and investment related issues. The number of members on the IAC, the prerequisites for membership, the remuneration, if any, for IAC members and its reporting requirements will be determined by the board. The IAC will perform its tasks until abolished by the board.

(c) The Group Benefits Advisory Committee (GBAC) is created to advise the board on employee benefits administered by the board within the Texas Employees Group Benefits Program. The number of members on the GBAC, the prerequisites for membership, the remuneration, if any, for GBAC members and its reporting requirements will be determined by the board. The GBAC will perform its tasks until abolished by the board.

# Staff Recommendation



Adopt proposed amendment to Chapter 63 (Advisory Committees)  
as posted in the *Texas Register* on October 20, 2017.

Questions?  
(Action Item)

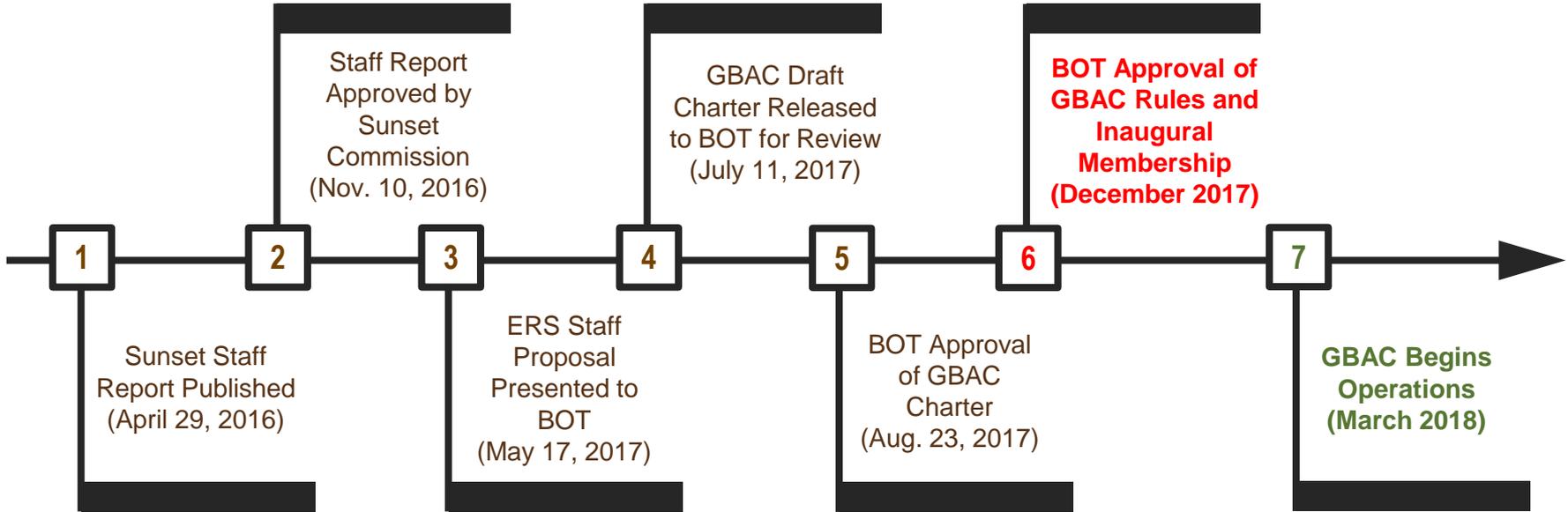
## Public Agenda Item #6.1

*Discussion and Consideration of the Group Benefits Advisory  
Committee Appointments – (Action)*

December 13, 2017

Bernie Hajovsky, Director of Enterprise Planning  
Keith Yawn, Director of Strategic Initiatives

# GBAC Development Timeline



# GBAC Membership



Up to 2 Members Each

- Up to 11 Members
- Requires a minimum of 1 year GBP Enrollment and employer support
- Serve 3-year staggered terms (inaugural terms of 2-4 years to establish staggered schedule)
- ERS staff solicited and reviewed applications to make appointment recommendations to the Board
- **Serve at the will of the Board**

## Membership Representation Structure:

1. State Agencies, Large (800+ GBP enrollees)
2. State Agencies, Mid-Sized (100 to 799 enrollees)
3. State Agencies, Small (less than 100 enrollees)
4. Institutions of Higher Education, Four-Year
5. Institutions of Higher Education, Community and Junior Colleges
6. Retiree, Medicare
7. Retiree, Non-Medicare
8. Health-Related Institution Academic, Administrator, or Healthcare Practitioner
9. Insurance or Benefit Design Consultant or Professional

No GBP Enrollment Requirement

# Application and Nomination Process



## Application Process

- Opened September 13, 2017
  - Website Notices
  - Newsletter Announcements
  - Social Media Postings
  - Included in Stakeholder Presentations
- Closed October 15, 2017

## Vetting/Review Process

- 42 applications received
  1. Categories and credentials reviewed and confirmed
  2. OSI and EPO staff reviewed and made initial recommendations
  3. Agency leadership reviewed and approved final recommendations

# GBAC Nominee Recommendations



	Nominee	GBAC Category	Organization	Title
1	Harsh Zadoo	State Agency: Large	Department of Transportation	Operational Excellence Coordinator, Strategic Division
2	Charlene Maresh	State Agency: Large	Department of Criminal Justice	Deputy Director, Human Resources
3	Gene Snelson	State Agency: Mid-sized	Animal Health Commission	General Counsel
4	Megan LaVoie	State Agency: Mid-sized	Office of Court Administration	Director of Public Affairs
5	Dawn Heitman	State Agency: Small	State Soil and Water Conservation Board	Human Resources Coordinator
6	Dr. Janet Bezner	4-year Institution	Texas State University	Associate Professor
7	Missy Kittner	2-year Institution	McLennan Community College	Director, Human Resources
8	Gary White	Retiree		(25-year career with multiple agencies)
9	James Dobbins	Retiree		(32-year career with the Department of Transportation)
10	Dr. Cynthia Jumper	Health Related Institution	Texas Tech University Health Sciences Center	Vice-President, Health Policy and Special Medical Programs and Professor of Internal Medicine

Questions?  
(Action Item)

## Public Agenda Item #7.1

### *Health Insurance Financial Status Update for Fiscal Year 2017 and Outlook for Fiscal Year 2018, with Network Comment*

December 13, 2017

Diana Kongevick, Director of Benefit Contracts

Blaise Duran, ASA, MAAA and Manager of Underwriting, Data Analysis and Reporting

Phil Dial, FSA, Rudd and Wisdom Inc.

# Group Benefits Program (GBP)

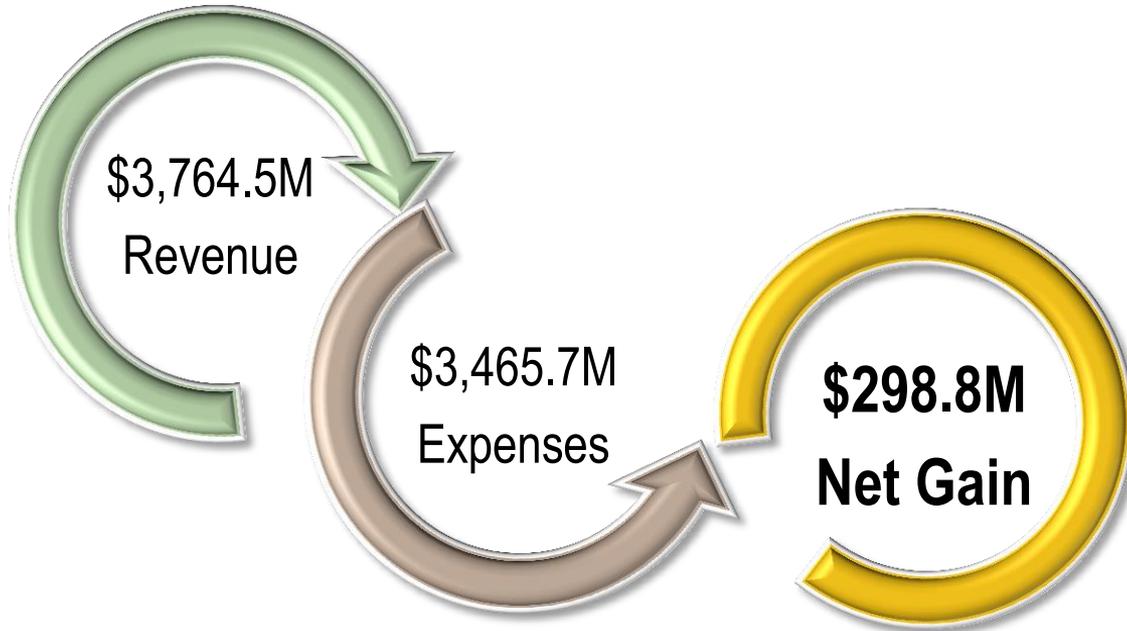


## *Background*

- 81% of GBP participants are enrolled in the self-funded HealthSelect<sup>SM</sup> of Texas (HealthSelect) plan.
- The rest are enrolled in the Consumer Directed HealthSelect<sup>SM</sup> plan, a HMO plan or a Medicare Advantage (MA) plan.
- Self-funded HealthSelect pharmacy benefits are provided through HealthSelect Rx.
- Self-funded retiree pharmacy benefits are provided through HealthSelect Medicare Rx (EGWP) to Medicare primary participants enrolled in HealthSelect and those enrolled in the MA plans.

# Fiscal Year 2017 Review

## GBP Health Plan Performance



GBP finished the plan year with **\$797.7 million** in the Contingency Fund

Includes All Health Plans

# Fiscal Year 2017 Review

## HealthSelect Performance



The self-funded program saw favorable experience in FY17:

*\*Self-funded pharmacy includes HealthSelect MedicareRX with EGWP*

*Note: Generic dispensing rate 2.0% higher than FY16*

	FY15	FY16	FY17
Medical Trend	6%	8.1%	5.6%
Pharmacy* Trend	13.3%	11.6%	-.9%
<b>Combined Medical and Pharmacy* Trend</b>	<b>7.3%</b>	<b>8.9%</b>	<b>3.7%</b>

# Initiatives to Reduce Cost



## Patient-Centered Medical Homes

- Continue to show success
- 9 provider groups in FY18



## Virtual visits

- Effective January 2016
- October 2017 highest utilization month since inception (No copay HealthSelect of Texas plan effective September 2017)

## Non-Network Free Standing Emergency Room (FSER)\*:

- Copay \$300
- Effective January 1, 2018, an out-of-network FSER is no longer reimbursed billed charges
- Mediation effective January 1, 2018

\*Applies to FSER not affiliated with a hospital emergency room or hospital emergency department.

# Network Comments

## *Provider Network Transition*



- With a change of this magnitude, the transition was very successful.
- The closer we got to September 1, discussion intensified in certain markets.
- Consistent, accurate and fresh messaging was critical.
- Communications occurred via multiple channels.
- We are committed to fair outcomes.
- ERS network access standards are rigorous.

# Network Comments

## PCP Development – Three Month Snapshot



PCP Status	Aug 16 2017		Dec 6 2017	
<b>Members Who Select a PCP</b>	339,542	82.5%	346,757	84.5%
<b>Members Who Choose to <i>Not</i> Select a PCP</b>	72,028	17.5%	63,739	15.5%
<b>Total PCP</b>	<b>411,570</b>	<b>100%</b>	<b>410,496</b>	<b>100%</b>

# Network Comments

## PCP Development – Three Month Snapshot



PCP Status	Aug 16 2017		Dec 6 2017	
PCP In-Network	297,631	87.7%	333,952	96.6%
PCP Contingency Plan*	25,263	7.4%	6,943	1.7%
Potential Disruption**	16,648	4.9%	5,862	1.7%
<b>Total</b>	<b>339,542</b>	<b>100%</b>	<b>346,757</b>	<b>100%</b>

\*PCP contingency Plan: If UHC PCP is in any BCBS network, (even if not HealthSelect network), services are considered in-network through December 31, 2017. Services from that PCP are considered out-of-network if not contracted for HealthSelect effective January 1, 2018. Participant may need to select new PCP.

\*\*Potential disruption: Non-contracted PCP, provider specialty is not PCP, or PCP does not contract. Participant may need to select new PCP.

# Network Comments

## *Member Transition*



- PCP contingency plan through December 31, 2017
- Value of no cost virtual visit - utilization spike started September 1, 2017
- Prior authorizations issued before September 1, 2017 were honored through earlier of established expiration date or December 1, 2017 (Provider in UHC but not BCBSTX)
- Transition of care benefits allowed in-network benefits for certain care in process (maternity in 3<sup>rd</sup> trimester, certain oncology, etc.)
- Continual communication via multiple channels

Questions?

## Public Agenda Item #7.2

*Review and Discussion of Program Updates and Compliance Overview:  
HealthSelect Plans; Medicare Advantage Plans; Dental Plans; Vision  
Plan; Basic and Optional Term Life; Accidental Death and  
Dismemberment Plans; and Disability Plans*

December 13, 2017

Diana Kongevick, Director of Benefit Contracts  
Lauren Russel, CTCM, Program Account Manager  
Megan Hunter, CTCM, Program Account Manager  
D'Ann DeLeon, CTCM, Program Account Manager  
Bernely Tharp, CTCM, Program Account Manager

# Group Benefits Program

## Overview



### Health Benefits

#### HealthSelect<sup>SM</sup> of Texas

- Point of Service (POS) plan
- Consumer directed health plan
- Prescription drug program

#### Health Maintenance Organizations (HMOs)

- Scott & White Health Plan
- Community First Health Plan
- KelseyCare powered by Community Health Choice



### Medicare-eligible Retiree Health Benefits

#### HealthSelect<sup>SM</sup> of Texas

- Medicare Advantage PPO, Medicare Advantage HMO plans
- Secondary plan
- Employer Group Waiver Plan + Wrap

#### Health Maintenance Organizations (HMOs)

- Scott & White Health Plan
- Community First Health Plan
- KelseyCare powered by Community Health Choice



### Optional Add-on GBP Benefits

#### Dental Plans

- Preferred Provider Organization (PPO) plan
- Dental HMO

#### Vision Insurance

#### Optional Life, AD&D Insurance

#### Long-term, Short-term Disability

# Group Benefits Program

## HealthSelect<sup>SM</sup> of Texas (HealthSelect)



### Health Benefits

- Point of Service (POS) plan
- Consumer directed health plan
- Prescription drug program

- Self-funded, managed-care medical plan
- Covers 81% of all GBP health plan participants
  - FY18 enrollment: 437,922 (257,269 members; 180,653 dependents)
- Requires a primary care physician (PCP)
- Highest level of benefits available with in-network providers
- HealthSelect Out-of-State plan launched FY18
- Administered by Blue Cross Blue Shield of Texas

**HealthSelect** of Texas

# Monthly Administrative Performance Report

## Heat Map Summary

HealthSelect of Texas  
United HealthCare Services, Inc.

### HEAT MAP COLOR LEGEND

Performance compliance is under review.

Not applicable.

Performance met standards.

Performance did not meet standards; PG assessment waived.

Performance did not meet standards; activity is not a PG metric.

Performance did not meet standards; receipt of the PG assessment is pending.

Performance did not meet standards; ERS has received the PG assessment.

DESCRIPTION		ASSESSMENT FREQUENCY	09-2016	10-2016	11-2016	12-2016	01-2017	02-2017	03-2017	04-2017	05-2017	06-2017	07-2017	08-2017
ACCOUNT MANAGEMENT	Participant satisfaction survey (satisfaction rating)	Annually	Pending Q4 results; due December 31, 2017											
	Response to satisfaction survey (paper) at or above 15%	Non PG Item	Pending Q4 results; due December 31, 2017											
	Communication materials: quality, timeliness	Any Incident	100.0%	<100%	100.0%	<100%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Written notice of changes	Any Incident	100.0%	100.0%	100.0%	100.0%	< 100%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Program reporting	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Annual enrollment attendance	Any Incident											N/A	
CUSTOMER SERVICE	Respond to written correspondence	Quarterly	100.0%			100.0%			100.0%			100.0%		
	Response to online and/or escalated inquiries	Quarterly	100.0%			100.0%			100.0%			100.0%		
	Answer calls within 20 seconds	Quarterly	87.1%			87.8%			91.3%			87.3%		
	Manage call blockage below 0.5%	Quarterly	100.0%			100.0%			100.0%			100.0%		
OPERATIONS	Network provider turnover rate at or below 10%	Annually	< 10.0%											
	Claims processing: financial accuracy	Monthly	99.8%	99.8%	99.7%	99.8%	99.6%	99.7%	99.8%	99.4%	99.3%	99.9%	99.6%	99.1%
	Claims processing: timeliness	Monthly	99.8%	99.9%	99.9%	99.9%	99.9%	99.9%	99.8%	99.8%	99.8%	99.9%	99.8%	99.6%
	Grievances and appeals: timeliness for pre-service appeals	Monthly	100.0%	96.8%	100.0%	100.0%	97.9%	100.0%	98.3%	100.0%	100.0%	98.4%	100.0%	95.4%
	Grievances and appeals: timeliness for post-service appeals	Monthly	98.8%	99.2%	98.5%	99.6%	99.6%	99.1%	98.9%	98.7%	98.7%	100.0%	99.5%	98.7%
	Grievances and appeals management	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Manage ID card mail-outs, timeliness	Monthly	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Manage ID card mail-outs, accuracy	Monthly	100.0%	100.0%	100.0%	99.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
SYSTEM & DATA MGMT.	Process files accurately and timely	Any Incident	100.0%	100.0%	83.3%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Ensure claims system(s) availability	Annually	99.7%											
	Ensure website availability	Annually	100.0%											
	Provide timely notification of file or transaction errors	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Resolve file or transaction errors accurately, timely	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
LEGAL DISCL	Reporting: administrative or regulatory issues	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Reporting: legal judgments assessed	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

# Group Benefits Program

## Consumer Directed HealthSelect<sup>SM</sup>



### Health Benefits

- Point of Service (POS) plan
- Consumer directed health plan
- Prescription drug program

CONSUMER DIRECTED

HealthSelect<sup>SM</sup>

- Comprised of a high deductible health plan (HDHP) and tax-free health savings account (HSA)
- Launched September 1, 2016
  - FY18 enrollment: 1,473 (817 members; 656 dependents)
- Higher annual deductible: \$2,100 for individual; \$4,200 for family
- HSA contributions are not allowed for Medicare-enrolled members (IRS requirement)
- Administered by Blue Cross Blue Shield of Texas

# Group Benefits Program

## HealthSelect<sup>SM</sup> Prescription Drug Program



### Health Benefits

- Point of Service (POS) plan
- Consumer directed health plan
- Prescription drug program

- Self-funded, comprehensive prescription drug plan
- FY18 enrollment: 411,565 (235,678 members; 175,887 dependents)
- \$50 annual deductible (calendar year)
- Copayments apply after deductible; subject to
  - Drug copayment tier (3 levels)
  - Days' supply
  - Method of delivery (e.g., retail, extended days' supply pharmacy, mail order)
- Administered by OptumRx, effective January 1, 2017

**HealthSelect** of Texas  
Prescription Drug Program

# Monthly Administrative Performance Report

## Heat Map Summary

### HealthSelect of Texas Prescription Drug Plan

### Caremark and OptumRx

#### HEAT MAP COLOR LEGEND

Performance compliance is under review.

Not applicable.

Performance met standards.

Performance did not meet standards; PG assessment waived.

Performance did not meet standards; activity is not a PG metric.

Performance did not meet standards; receipt of the PG assessment is pending.

Performance did not meet standards; ERS has received the PG assessment.

DESCRIPTION		ASSESSMENT FREQUENCY	Caremark			
			09-2016	10-2016	11-2016	12-2016
ACCOUNT MANAGEMENT	Participant satisfaction survey (satisfaction rating)	Annually				
	Communication materials: quality, timeliness	Any Incident	100.0%	100.0%	100.0%	100.0%
	Written notice of changes	Any Incident	100.0%	100.0%	100.0%	100.0%
	Program reporting	Any Incident	100.0%	100.0%	100.0%	100.0%
	Annual enrollment attendance	Any Incident				
CUST. SRVC.	Respond to written correspondence	Quarterly		100.0%		100.0%
	Answer calls within 30 seconds	Quarterly		96.3%		94.0%
OPERATIONS	Claims adjudication: financial accuracy	Monthly	100.0%	100.0%	100.0%	100.0%
	Claims adjudication: timeliness	Monthly	100.0%	100.0%	100.0%	100.0%
	Paper claims processing: financial accuracy	Annually/Monthly	100.0%			
	Paper claims processing: timeliness	Annually	100.0%			
	Claims financial accuracy rate (based on audit)	Annually	Pending finalization of external audit results			
	Claims payment accuracy rate (based on audit)	Annually	Pending finalization of external audit results			
	Dispensing accuracy rate	Annually	100.0%			
	Dispensing rate: protocol prescriptions	Monthly	100.0%	100.0%	100.0%	100.0%
	Dispensing rate: non-protocol prescriptions	Monthly	100.0%	100.0%	100.0%	100.0%
	Manage ID card mail-outs (both initial and reissues)	Monthly	100.0%	100.0%	100.0%	100.0%
	Manage ID card mail-outs: initial cards	Monthly				
Manage ID card mail-outs: reissued cards	Monthly					
SYSTEM & DATA MGMT.	Process files accurately and timely	Any Incident	100.0%	100.0%	100.0%	100.0%
	Ensure claims system(s) availability	Annually	100.0%			
	Ensure website availability	Annually	99.8%			
	Provide timely notification of file or transaction errors	Any Incident	100.0%	100.0%	100.0%	100.0%
	Resolve file or transaction errors accurately, timely	Any Incident	100.0%	100.0%	100.0%	100.0%
	System and code changes	Any Incident	100.0%	100.0%	100.0%	100.0%

OptumRx							
01-2017	02-2017	03-2017	04-2017	05-2017	06-2017	07-2017	08-2017
Pending Results							
100.0%	<100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
100.0%	<100.0%	<100.0%	<100.0%	<100%	<100%	<100%	<100%
					100.0%	100.0%	
100.0%		100.0%		100.0%			
87.8%		91.3%		87.6%			
99.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
100.0%	100.0%	100.0%	100.0%	96.4%	100.0%	100.0%	100.0%
99.5%							
99.9%							
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
100.0%							
100.0%							
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

# Group Benefits Program

## HealthSelect<sup>SM</sup> Medicare Advantage



### Medicare-eligible Retiree Health Benefits

- Medicare Advantage PPO
- Medicare Advantage HMO
- Employer Group Waiver Plan + Wrap

- Fully-insured statewide medical plan
- Popular with ERS retirees
  - Provides favorable PPO medical-only benefits
  - CY17 enrollment: 71,430 (56,532 members, 14,898 dependents)
- This plan saves monthly premium cost for those who cover spouses
- Administered by Humana Insurance Company

**HealthSelect**<sup>of Texas</sup>  
*Medicare Advantage Plan*

# Monthly Administrative Performance Report

## Heat Map Summary

HealthSelect Medicare Advantage Plan  
Humana Insurance

HEAT MAP COLOR LEGEND
Performance compliance is under review.
Not applicable.
Performance met standards.
Performance did not meet standards; PG assessment waived.
Performance did not meet standards; activity is not a PG metric.
Performance did not meet standards; receipt of the PG assessment is pending.
Performance did not meet standards; ERS has received the PG assessment.

DESCRIPTION		ASSESSMENT FREQUENCY	01-2016	02-2016	03-2016	04-2016	05-2016	06-2016	07-2016	08-2016	09-2016	10-2016	11-2016	12-2016	
ACCOUNT MANAGEMENT	Communication materials: quality	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	<100.0%	100.0%	
	Communication materials: timeliness	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
	Written notice of changes	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
	Reporting requirements	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
	Annual enrollment attendance	Any Incident											100.0%	100.0%	
CUST. SERVICE	Respond to written correspondence	Quarterly	100.0%			100.0%			100.0%			100.0%			
	Answer calls within 30 seconds	Quarterly	90.4%			84.6%			86.1%			88.2%			
	Manage call blockage below 0.5%	Quarterly	0.0%			0.0%			0.0%			0.0%			
OPS	Adherence to CMS program parameters	Monthly	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
	Manage ID card mail-outs	Quarterly	100.0%			100.0%			100.0%			100.0%			
SYSTEM & DATA MGMT.	Process files accurately and timely	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
	Ensure claims system(s) availability	Annually	99.8%												
	Ensure website availability	Annually	99.8%												
	Provide timely notification of file or transaction errors	Any Incident	100.0%	100.0%	<100.0%	<100.0%	<100.0%	<100.0%	<100.0%	<100.0%	<100.0%	<100.0%	100.0%	100.0%	100.0%
	Resolve file or transaction errors accurately, timely	Any Incident	100.0%	100.0%	<100.0%	<100.0%	<100.0%	<100.0%	<100.0%	<100.0%	<100.0%	<100.0%	100.0%	100.0%	100.0%

# Group Benefits Program

## *KelseyCare Advantage*



### Medicare-eligible Retiree Health Benefits

- Medicare Advantage PPO
- **Medicare Advantage HMO**
- Employer Group Waiver Plan + Wrap



- Fully-insured Medicare Advantage HMO medical-only benefits
- CY17 Enrollment: 1,406 (1,165 members; 241 dependents)
- Available in eight Houston-area counties
- Most cost-effective medical benefit for Houston area

# Group Benefits Program

## HealthSelect<sup>SM</sup> Medicare Rx



### Medicare-eligible Retiree Health Benefits

- Medicare Advantage PPO
- Medicare Advantage HMO
- **Employer Group Waiver Plan + Wrap**

- Self-funded prescription drug benefits paired with Medicare Advantage retiree group medical plans
  - HealthSelect MA
  - KelseyCare Advantage HMO
  - HealthSelect Medicare-primary
- CY17 enrollment: 93,184
- Administered by United HealthCare Services, Inc., effective January 1, 2017



# Monthly Administrative Performance Report

## Heat Map Summary

HealthSelect Medicare Rx Plan  
SilverScript Insurance Company

### HEAT MAP COLOR LEGEND

Performance compliance is under review.

Not applicable.

Performance met standards.

Performance did not meet standards; PG assessment waived.

Performance did not meet standards; activity is not a PG metric.

Performance did not meet standards; receipt of the PG assessment is pending.

Performance did not meet standards; ERS has received the PG assessment.

DESCRIPTION		ASSESSMENT FREQUENCY	01-2016	02-2016	03-2016	04-2016	05-2016	06-2016	07-2016	08-2016	09-2016	10-2016	11-2016	12-2016	
ACCOUNT MANAGEMENT	Participant Satisfaction Survey	Annually	100.0%												
	Communication materials: quality, timeliness	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
	Annual enrollment attendance	Any Incident											100.0%	100.0%	
	Written notice of changes	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
	Program reporting	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
CUSTOMER SERVICE	Respond to written correspondence	Quarterly	100.0%			100.0%			100.0%			100.0%			
	Response online, escalated inquiries	Quarterly	100.0%			100.0%			100.0%			100.0%			
	Manage ID card mail-outs, welcome kits: initial	Quarterly	100.0%			100.0%			100.0%			100.0%			
	Manage ID card mail-outs: reissues	Not a PG	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
	Manage calls to dedicated toll-free number	Quarterly	85.3%			88.7%			91.3%			92.3%			
	Answer calls within 30 seconds	Monthly	83.0%	82.0%	79.0%	80.0%	92.0%	89.0%	87.0%	89.0%	91.0%	91.0%	89.0%	90.0%	
	Manage call blockage below 0.5%	Quarterly	0.0%			0.0%			0.0%			0.0%			
OPERATIONS	Claims processing: financial accuracy	Annually	100.0%												
	Claims processing: timeliness	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
	Claims adjudication: financial accuracy, timeliness	Monthly	100.0%	100.0%	100.0%	100.0%	100.0%	<100%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
	Dispensing rate: accuracy	Annually	100.0%												
	Dispensing Rate: protocol prescriptions	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
	Dispensing Rate: non-protocol prescriptions	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
SYSTEM & DATA MANAGEMENT	Process files accurately, timely	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
	Ensure claims system(s) availability	Annually	99.9%												
	Ensure website availability	Annually	99.7%												
	Provide timely notification of file or transaction errors	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
	Resolve file or transaction errors accurately, timely	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
	Data to be restricted to the United States	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	

# Group Benefits Program

## Optional, State of Texas Dental Choice Plan<sup>SM</sup>



### Optional Add-on GBP Benefits

#### Dental Plans

- Preferred Provider Organization (PPO) plan
- Dental HMO

#### Vision Insurance

#### Optional Life, AD&D Insurance

#### Long-term, Short-term Disability

- Self-funded dental insurance plan
- Highest level of benefits available with in-network use
  - Preventive services: \$0 deductible; 100% coverage
  - Annual maximum: \$1,500; 40% benefit after maximum
  - Basic services: 90% coverage\*
  - Major services: 50% coverage\*
- Out-of-network benefits at reduced benefit level
- FY18 enrollment: 316,715
- Administered by HumanaDental

# Monthly Administrative Performance Report

## Heat Map Summary

Dental Choice  
HumanaDental

HEAT MAP COLOR LEGEND
Performance compliance is under review.
Not applicable.
Performance met standards.
Performance did not meet standards; PG assessment waived.
Performance did not meet standards; activity is not a PG metric.
Performance did not meet standards; receipt of the PG assessment is pending.
Performance did not meet standards; ERS has received the PG assessment.

DESCRIPTION		ASSESSMENT FREQUENCY	09-2016	10-2016	11-2016	12-2016	01-2017	02-2017	03-2017	04-2017	05-2017	06-2017	07-2017	08-2017
ACCOUNT MANAGEMENT	Participant satisfaction survey (satisfaction rating)	Annually	97.0%											
	Communication materials: quality, timeliness	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Written notice of changes	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Program reporting	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Annual enrollment attendance	Any Incident		100.0%	100.0%							100.0%	100.0%	
CUSTOMER SERVICE	Respond to written correspondence	Quarterly	98.3%			97.3%			99.3%			99.3%		
	Response to online and/or escalated inquiries	Quarterly	100.0%			100.0%			100.0%			100.0%		
	Answer calls within 20 seconds	Quarterly	81.1%			82.2%			82.3%			81.5%		
	Manage call blockage below 0.5%	Quarterly	0.0%			0.1%			0.0%			0.0%		
OPERATIONS	Network provider turnover rate at or below 10%	Annually	<10%											
	Process claim pymts: financial accuracy (dollar basis)	Annually	99.8%											
	Process claim pymts: financial accuracy (claim count basis)	Annually	99.9%											
	Process paper (manual) claims timely	Annually	99.6%											
	Process provider claims payments timely	Monthly	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Grievances and appeals: timely acknowledgement	Annually	98.3%											
	Grievance and appeals: timely resolution	Annually	100.0%											
	Manage ID card mail-outs	Monthly	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
SYSTEMS AND DATA MGMT.	Process files accurately, timely: weekend processing	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Process files accurately, timely: week day processing	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Ensure claims system availability	Annually	100.0%											
	Ensure website availability	Annually	100.0%											
	Provide timely notification of file or transaction errors	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Resolve file or transaction errors accurately, timely	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Agenda item 7.2 - Meeting book dated December 13, 2017

# Group Benefits Program

## Optional, Dental HMO



### Optional Add-on GBP Benefits

#### Dental Plans

- Preferred Provider Organization (PPO) plan
- Dental HMO

#### Vision Insurance

#### Optional Life, AD&D Insurance

#### Long-term, Short-term Disability

- Fully-insured coverage available in Texas service area
  - Primary care dentist (PCD) selection required
  - No annual plan maximums
  - No annual or lifetime deductibles
  - No waiting periods
  - No patient payments for most diagnostic and preventive services
  - No out-of-network benefits
- FY18 enrollment: 119,991
- Administered by DentiCare, Inc., an affiliate of HumanaDental Insurance Company

# Monthly Administrative Performance Report Heat Map Summary

Dental Health Maintenance Organization  
DentiCare, Inc./HumanaDental

## HEAT MAP COLOR LEGEND

Performance compliance is under review.

Not applicable.

Performance met standards.

Performance did not meet standards; PG assessment waived.

Performance did not meet standards; activity is not a PG metric.

Performance did not meet standards; receipt of the PG assessment is pending.

Performance did not meet standards; ERS has received the PG assessment.

DESCRIPTION		ASSESSMENT FREQUENCY	09-2016	10-2016	11-2016	12-2016	01-2017	02-2017	03-2017	04-2017	05-2017	06-2017	07-2017	08-2017
ACCOUNT MANAGEMENT	Participant satisfaction survey (satisfaction rating)	Annually	92.0%											
	Communication materials: quality, timeliness	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Written notice of changes	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Program reporting	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Annual enrollment attendance	Any Incident		100.0%	100.0%							100.0%	100.0%	
CUSTOMER SERVICE	Respond to written correspondence	Quarterly	99.3%			98.3%			100.0%			100.0%		
	Response to online and/or escalated inquiries	Quarterly	100.0%			100.0%			100.0%			100.0%		
	Answer calls within 20 seconds	Quarterly	81.1%			82.2%			82.4%			81.4%		
	Manage call blockage below 0.5%	Quarterly	0.0%			0.0%			0.0%			0.0%		
OPERATIONS	Network provider turnover rate at or below 10%	Annually	<10%											
	Grievances and appeals: timely acknowledgement	Annually	100.0%											
	Grievance and appeals: timely resolution	Annually	100.0%											
	Manage ID card mail-outs	Monthly	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
SYSTEMS AND DATA MGMT.	Process files accurately, timely: weekend processing	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Process files accurately, timely: week day processing	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Ensure claims system availability	Annually	99.9%											
	Ensure website availability	Annually	99.9%											
	Provide timely notification of file or transaction errors	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Resolve file or transaction errors accurately, timely	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

# Group Benefits Program

## Optional, State of Texas Vision Plan



### Optional Add-on GBP Benefits

#### Dental Plans

- Preferred Provider Organization (PPO) plan
- Dental HMO

#### Vision Insurance

#### Optional Life, AD&D Insurance

#### Long-term, Short-term Disability

- Comprehensive vision and eyewear benefits
- Highest level of benefits available with in-network providers
  - Nationwide network
  - Access benefits through retail and internet-based optical stores
- FY18 Enrollment: 168,800 (92,780 members; 76,020 dependents)
- Administered by Superior Vision, effective September 1, 2016

# Monthly Administrative Performance Report

## Heat Map Summary

State of Texas Vision Plan  
Superior Vision

### HEAT MAP COLOR LEGEND

Performance compliance is under review.

Not applicable.

Performance met standards.

Performance did not meet standards; PG assessment waived.

Performance did not meet standards; activity is not a PG metric.

Performance did not meet standards; receipt of the PG assessment is pending.

Performance did not meet standards; ERS has received the PG assessment.

DESCRIPTION		ASSESSMENT FREQUENCY	09-2016	10-2016	11-2016	12-2016	01-2017	02-2017	03-2017	04-2017	05-2017	06-2017	07-2017	08-2017
ACCOUNT MANAGEMENT	Participant satisfaction survey (satisfaction rating)	Annually	91.0%											
	Communication materials: quality, timeliness	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Written notice of changes	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Program reporting	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	66.67%	100.0%
	Annual enrollment attendance	Any Incident		100.0%	100.0%							100.0%	<100.0%	
CUSTOMER SERVICE	Respond to written correspondence	Quarterly	100.0%			100.0%			100.0%			100.0%		
	Manage ID card mail-outs: initial	Monthly	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Manage ID card mail-outs: reissues	Monthly	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Answer calls within 20 seconds	Quarterly	99.6%			99.5%			99.5%			99.4%		
	Manage call blockage below 0.5%	Quarterly	0.0%			0.0%			0.0%			0.0%		
OPERATIONS	Network provider turnover rate at or below 10%	Annually	< 10.0%											
	Claims adjudication	Monthly	99.7%	99.6%	100.0%	98.9%	99.5%	98.2%	99.8%	100.0%	100.0%	99.98%	99.7%	97.4%
	Claims processing: financial accuracy	Monthly	99.8%	99.8%	100.0%	100.0%	99.6%	100.0%	99.9%	100.0%	100.0%	100.0%	100.0%	100.0%
	Claims processing: timeliness	Monthly	98.9%	100.0%	100.0%	99.7%	99.5%	98.3%	100.0%	100.0%	100.0%	100.0%	100.0%	98.9%
	Process paper (manual) claims timely	Annually	100.0%											
	Grievances and appeals management	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
SYSTEMS AND DATA MGMT.	Process files accurately, timely	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Ensure claims system availability	Annually	99.7%											
	Ensure website availability	Annually	99.9%											
	Provide timely notification of file or transaction errors	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	83.3%
	Resolve file or transaction errors accurately, timely	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

# Group Benefits Program

## Optional Life and AD&D (active employees)



### Optional, Add-on GBP Benefits

#### Dental Plans

- Preferred Provider Organization (PPO) plan
- Dental HMO

#### Vision Insurance

#### Optional Life, AD&D Insurance

#### Long-term, Short-term Disability

### Basic Group Life, AD&D coverage

- Auto enrolled in \$5,000 Basic Group Term Life (GBP health coverage required)
- Auto enrolled in \$5,000 AD&D coverage

### Optional Term Life including AD&D

- Additional coverage; up to 4X annual salary\*

### Voluntary AD&D

- Additional coverage; up to \$200,000

### Dependent Term Life including AD&D

- \$5,000 coverage for each eligible dependent

Administered by Minnesota Life Insurance Company

# Group Benefits Program

## Optional, Texas Income Protection Plan (TIPP)



### Optional Add-on GBP Benefits

#### Dental Plans

- Preferred Provider Organization (PPO) plan
- Dental HMO

#### Vision Insurance

#### Optional Life, AD&D Insurance

#### Long-term, Short-term Disability

- Self-funded benefits available to active employees only
- Short-term Disability Benefit
  - Monthly Benefit\* is the lesser of 66% of covered monthly salary or \$6,600
  - FY18 enrollment: 112,203
- Long-term Disability Benefit
  - Monthly Benefit\* is the lesser of 60% of covered monthly salary or \$6,000
  - FY18 enrollment: 89,566
- Administered by Reed Group Management LLC

# Monthly Administrative Performance Report

## Heat Map Summary

Texas Income Protection Plan  
Reed Group LLC

### HEAT MAP COLOR LEGEND

Performance compliance is under review.

Not applicable.

Performance met standards.

Performance did not meet standards; PG assessment waived.

Performance did not meet standards; activity is not a PG metric.

Performance did not meet standards; receipt of the PG assessment is pending.

Performance did not meet standards; ERS has received the PG assessment.

DESCRIPTION		ASSESSMENT FREQUENCY	09-2016	10-2016	11-2016	12-2016	01-2017	02-2017	03-2017	04-2017	05-2017	06-2017	07-2017	08-2017
ACCOUNT MANAGEMENT	Participant satisfaction survey (satisfaction rating)	Annually	100%											
	Communication materials: quality, timeliness	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Written notice of changes	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Program reporting	Quarterly	100.0%			69.9%			96.3%			100.0%		
	Annual enrollment attendance	Any Incident											100.0%	100.0%
CUSTOMER SERVICE	Respond to written correspondence	Not a PG	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Response to online and/or escalated inquiries	Not a PG	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Answer calls within 30 seconds	Quarterly	80.5%			83.2%			86.1%			80.1%		
	Manage call blockage below 0.5%	Not a PG	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Manage call abandonment rate below 5%	Not a PG	3.0%	2.2%	5.5%	3.1%	2.5%	2.2%	1.0%	1.5%	2.6%	2.9%	3.1%	2.6%
	Provide MBPDs timely, upon request (when applicable)	Not a PG	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
OPERATIONS	Claims processing: financial accuracy	Quarterly	96.7%			95.2%			98.5%			98.5%		
	Short-term claims processing: timeliness	Quarterly	96.7%			99%			100%			100%		
	Residual short-term claims processing: timeliness (when applicable)	Not a PG	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Long-term claims processing: timeliness	Quarterly	100.0%			100.0%			98.3%			100.0%		
	Residual long-term claims processing: timeliness (when applicable)	Not a PG	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
SYSTEM & DATA MANAGEMENT	Process files accurately, timely	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Ensure claims system availability	Annually	100.0%											
	Ensure website availability	Annually	100.0%											
	Provide timely notification of file or transaction errors	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Resolve file or transaction errors accurately, timely	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Data to be restricted to the United States	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Questions?

## Public Agenda Item #8.1

### *TexFlex<sup>SM</sup> Review and Discussion of Plan Updates and Compliance Overview*

December 13, 2017

Diana Kongevick, Director of Benefit Contracts  
Lauren Russell, CTCM, Program Account Manager

# TexFlex Program

## Overview



TexFlex is a flexible spending arrangement (FSA)

- Funded by participant's pre-tax salary contributions
  - Reduced the state of Texas FICA tax contribution by \$44.6 million
    - \$38.6 million attributed to premium conversion
- Reimburses participants for eligible out-of-pocket health care and day care expenses
- Administered by Wageworks

# TEXFLEX

# TexFlex Program

## Overview



 <b>Health Care Reimbursement</b>	 <b>Limited Purpose Health Care</b>	 <b>Dependent Care Reimbursement</b>	 <b>Commuter Reimbursement</b>
§125 Reimbursement Plan	§125 Reimbursement Plan	§125 Reimbursement Plan	§132 Reimbursement Plan
Maximum contribution: \$2,600 annually	Maximum contribution: \$2,600 annually	Maximum contribution: \$5,000 or \$2,500 annually depending on tax filing status	Qualified Parking Benefit: \$255 monthly
Examples of eligible expenses include: <ul style="list-style-type: none"> <li>• Copays</li> <li>• Dental expenses</li> <li>• Eyeglasses/Lasik/contacts</li> <li>• Medical supplies</li> <li>• Some OTCs</li> </ul>	Available to Consumer Directed HealthSelect <sup>SM</sup> participants for eligible: <ul style="list-style-type: none"> <li>• Vision expenses</li> <li>• Dental expenses</li> </ul>	Eligible expenses: <ul style="list-style-type: none"> <li>• Day care expenses</li> </ul>	Qualified Transit Benefit: \$255 monthly
\$500 allowable carry-over	Not subject to forfeiture while actively employed	Eligible for grace period	Eligible expenses, parking: <ul style="list-style-type: none"> <li>• Parking expenses*</li> </ul>
Subject to forfeiture		Subject to forfeiture	Eligible expenses, transit: <ul style="list-style-type: none"> <li>• Mass transit*</li> <li>• Vanpool expenses*</li> </ul>
			Not subject to forfeiture

\*commuting to and/or from work

# Monthly Administrative Performance Report

## Heat Map Summary

TexFlex Program  
WageWorks, Inc.

### HEAT MAP COLOR LEGEND

Performance compliance is under review.

Not applicable.

Performance met standards.

Performance did not meet standards; PG assessment waived.

Performance did not meet standards; activity is not a PG metric.

Performance did not meet standards; receipt of the PG assessment is pending.

Performance did not meet standards; ERS has received the PG assessment.

DESCRIPTION		ASSESSMENT FREQUENCY	09-2016	10-2016	11-2016	12-2016	01-2017	02-2017	03-2017	04-2017	05-2017	06-2017	07-2017	08-2017
ACCOUNT MANAGEMENT	Participant satisfaction survey (satisfaction rating)	Annually	83.7%											
	Communication materials: quality, timeliness	Any Incident	100.0%	100.0%	100.0%	100.0%	<100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Written notice of changes	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	<100.0%
	Program reporting	Monthly	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Fiscal year forfeiture report	Annually	100%											
	Annual enrollment attendance	Any Incident											100.0%	100.0%
CUSTOMER SERVICE	Respond to written correspondence	Quarterly	100.0%			100.0%			100.0%			100.0%		
	Response to online and/or escalated inquiries	Quarterly	100.0%			100.0%			100.0%			100.0%		
	Response to research requests	Quarterly	100.0%			100.0%			100.0%			100.0%		
	Answer calls within 30 seconds	Quarterly	67.1%			46.3%			94.5%			90.0%		
	Manage call blockage below 0.5%	Quarterly	0.0%			0.7%			0.0%			0.0%		
OPERATIONS	Claim processing: financial accuracy	Monthly	99.4%	99.7%	99.7%	100.0%	100.0%	99.7%	100.0%	100.0%	100.0%	100.0%	100.0%	99.9%
	Claims processing: timeliness	Monthly	99.5%	100.0%	99.7%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	99.9%
	Process paper claim reimbursements	Monthly	99.0%	100.0%	99.0%	99.0%	99.0%	99.0%	99.0%	100.0%	100.0%	100.0%	100.0%	86.0%
	Manage debit card mail-outs	Monthly	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
SYSTEM & DATA MGMT.	Process files accurately, timely	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Ensure claims system availability	Annually	100.0%											
	Ensure website availability	Annually	100.0%											
	Provide timely notification of file or transaction errors	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Resolve file or transaction errors accurately, timely	Any Incident	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Questions?

## Public Agenda Item #9.1

*TexaSaver<sup>SM</sup> 401(k)/457 Program Review and Discussion of  
Program Updates and Compliance Overview*

December 13, 2017

Georgina Bouton, CTCM, Assistant Director of Benefit Contracts

Nora Alvarado, CTCM, Manager of Account Management Team

Angelica Torres, CTCM, Deferred Compensation Contract Administrator

# Texa\$aver Program

## Program Overview



The  
Texa\$aver  
Program is  
comprised of  
2 separate  
Plans.

TEXA\$AVER  
401(k) Program

TEXA\$AVER  
457 Program

# Texa\$aver Program

## Program Overview



The Texa\$aver Program is comprised of 2 separate Plans.

### TEXA\$AVER 401(k) Program

- Established in 1985
- Available to state agencies
- Automatic Enrollment feature
- Traditional and Roth contributions
- 195,737 participant accounts
- \$2.19 billion in assets

### TEXA\$AVER 457 Program

- 
- Established in 1974
  - Available to higher education and state agencies
  - Traditional and Roth contributions
  - 33,131 participant accounts
  - \$759 million in assets

# TexaSaver<sup>SM</sup> 401(k) / 457 Program



## Key Statistics

### 401(k) Automatic Enrollment

- 1% default contribution rate
- 87% retention rate
- Plan statistics impacts

TexaSaver 401(k)	August 31, 2016	August 31, 2017	Year-over-Year Change
Plan assets	\$1,984.7 million	\$2,139.6 million	7.8%
Participant balances, average	\$ 10,950	\$ 11,196	2.2%
Monthly contributions, average	\$ 129	\$ 112	-13.2%
No. of accounts, contributing	92,527	95,813	3.6%
No. of accounts, non-contributing	88,722	99,924	12.6%

TexaSaver 457	August 31, 2016	August 31, 2017	Year-over-Year Change
Plan assets	\$670.0 million	\$759.0 million	13.3%
Participant balances, average	\$ 21,252	\$ 22,881	7.7%
Monthly contributions, average	\$ 238	\$ 259	8.8%
No. of accounts, contributing	17,052	19,803	16.1%
No. of accounts, non-contributing	14,463	13,328	-7.8%

# TexaSaver<sup>SM</sup> 401(k) / 457 Program



## Investment products

- Same in both plans
- Institutionally priced funds
  - May include 12(b)-1 or reimbursement fees
- All fee reimbursements are given back to participants
  - \$2.4 million in fee reimbursements paid to participants, 3<sup>rd</sup> quarter 2017
  - Reduces overall fees paid by participants

# TexaSaver<sup>SM</sup> 401(k) / 457 Program



## Administrative Fees

- 100% funded by participants; no state appropriated funds
- Plan Administrative Fees
  - Must be sufficient to cover all administrative expenses
  - Assessed to the 401(k) and 457 plans separately
  - Assessed to before-tax and Roth after-tax contributions separately
  - Based on account balance

PARTICIPANT MONTHLY ADMINISTRATIVE FEES	
ACCOUNT BALANCE	AMOUNT (per account and per contribution type)
\$10.00 or less	No fees
Between \$10.01 and \$1,000.00	\$1.18
Between \$1,000.01 and \$16,000.00	\$3.99
Between \$16,000.01 and \$32,000.00	\$6.00
Between \$32,000.01 and \$48,000.00	\$8.17
Between \$48,000.01 and \$64,000.00	\$10.89
\$64,000.01 or more	\$13.62

# Monthly Monitoring Report (MMR)

## Heat Map Summary

*TexaSaver Program*  
*Empower Retirement*

HEAT MAP COLOR LEGEND
Performance compliance is under review.
Not applicable.
Performance met standards.
Performance did not meet standards; PG assessment waived.
Performance did not meet standards; activity is not a PG metric.
Performance did not meet standards; receipt of the PG assessment is pending.
Performance did not meet standards; ERS has received the PG assessment.

DESCRIPTION		ASSESSMENT FREQUENCY	09-2016	10-2016	11-2016	12-2016	01-2017	02-2017	03-2017	04-2017	05-2017	06-2017	07-2017	08-2017
ACCOUNT MANAGEMENT	Participant satisfaction survey (satisfaction rating)	Annually	100%											
	Communication materials: quality, timeliness	Any Incident	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	Written notice of changes	Any Incident	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	Program reporting	Monthly	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	Annual enrollment attendance	Any Incident	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
CUST. SERVICE	Respond to written correspondence	Quarterly	100%	100%			100%			100%			100%	
	Response to online and/or escalated inquiries	Quarterly	100%	100%			100%			100%			100%	
	Answer calls within 30 seconds	Quarterly	100%	100%			100%			100%			100%	
OPS	Financial transaction processing: accuracy, timeliness	Monthly	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	Statement management: accuracy, timeliness	Any Incident	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	Resolve statement errors: accuracy, timeliness (when applicable)	Any Incident	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
SYSTEM & DATA MANAGEMENT	Process files accurately, timely	Any Incident	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	Ensure system availability	Annually	100%											
	Ensure website availability	Annually	100%											
	Provide timely notification of file or transaction errors	Any Incident	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	Resolve file or transaction errors accurately, timely	Any Incident	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
	Data to be restricted to the United States	Any Incident	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Questions?

## Public Agenda Item #10.1

*Review and Discussion of the Texas Employees Group Benefits Program: Actuarial Valuation of Retiree Health Insurance Benefits as of August 31, 2017*

December 13, 2017

Machelle Pharr, Chief Financial Director

# **Employees Retirement System of Texas**

## **Texas Employees Group Benefits Program (GBP)**

### **Actuarial Valuation of Other Post Employment Benefits (OPEB) Provided Under the GBP for Fiscal Year 2017**

**Board of Trustees  
December 13, 2017**

**Philip S. Dial  
Mitchell L. Bilbe**



**Rudd and Wisdom, Inc.**  
CONSULTING ACTUARIES

# FY 2017 GBP OPEB Valuation

## General Information

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- ❑ The GBP provides Other Post Employment Benefits (OPEB) to the retirees of state agencies, certain higher education institutions and other employers (see Appendix for list of other employers).
  
- ❑ OPEB provided through the GBP include the following benefits.
  - Health
  - Basic Life
  
- ❑ OPEB does not include optional benefits available to retirees under the GBP (dental, vision, and life insurance), since those benefits are fully funded by member contributions and, therefore, do not generate employer obligations.
  
- ❑ OPEB does not include retirement benefits.

# **FY 2017 GBP OPEB Valuation**

## **Application of GASB Reporting Standards – GASB 43/45**

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- ❑ Actuarial valuations of GBP OPEB have been prepared annually from FY 2007 through FY 2017 to satisfy the requirements of Governmental Accounting Standards Board Statement No. 43 (GASB 43).
- ❑ Prior to FY 2017, the information required under GASB 43 was reported by ERS in the notes and supplementary information contained in the CAFR.
- ❑ ERS provides the information to the Texas Comptroller of Public Accounts (Comptroller).
- ❑ The Comptroller uses the ERS GASB 43 information along with similar information provided by TRS to meet the reporting requirements of GASB 45 in preparation of the State's CAFR.

# FY 2017 GBP OPEB Valuation

## Application of GASB Reporting Standards – GASB 43/45

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- ❑ GASB 45 does not require the Comptroller to report OPEB expense and liability information for ERS and TRS in the financial statements in the State's CAFR. Instead, certain information regarding both plans is disclosed in the notes to the financial statements.
- ❑ GASB 45 requires minimal reporting by participating employers.

# FY 2017 GBP OPEB Valuation

## Application of GASB Reporting Standards – GASB 74

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- ❑ GASB Statement No. 74 (GASB 74) replaces GASB 43 effective for FY 2017.
- ❑ The FY 2017 valuation is conducted in accordance with the requirements of GASB 74.
- ❑ GASB 74 requires significant changes in the OPEB valuation.
  - Since the GBP OPEB is funded on a pay-as-you go (PAYGO) basis, the Discount Rate assumption must be based on yields of 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.
  - As a result, the Discount Rate assumption for FY 2017 is significantly lower than the Discount Rate assumption used for purposes of GASB 43 valuations.
  - The note disclosures and supplementary information required under GASB 74 are more extensive; e.g., GASB 74 requires an analysis of the sensitivity of the Net OPEB Liability to  $\pm 1\%$  changes in (a) the Discount Rate assumption and (b) the healthcare trend rate assumption.

# FY 2017 GBP OPEB Valuation

## Application of GASB Reporting Standards – GASB 74/75

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- ❑ GASB Statement No. 75 (GASB 75) replaces GASB 45 effective for FY 2018 for purposes of preparation of the State's CAFR.
  
- ❑ GASB 75 requires significant changes in presentation of the OPEB expense and liability information.
  - Under GASB 75 the Comptroller reports OPEB expense and liability information for ERS and TRS in the financial statements in the State's CAFR.
  
- ❑ GASB 74/75 requires increased reporting by GBP participating employers.

# FY 2017 GBP OPEB Valuation

## Impact of SB 1459

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- ❑ SB 1459 adopted by the 83<sup>rd</sup> Texas Legislature amended Article 1551 of the Insurance Code.
- ❑ SB 1459 requires insurance contribution rates for retirees to vary based on length of service (LOS) at retirement.
- ❑ Amendment applies only to:
  - Employees with less than five years of service on September 1, 2014,
  - Who retire on or after September 1, 2014.

LOS (Years)	State Contribution		Retiree Contribution	
	Retiree	Dependents	Retiree	Dependents
20 or more	100%	50%	0%	50%
15-19	75%	37.5%	25%	62.5%
10-14	50%	25%	50%	75%

# FY 2017 GBP OPEB Valuation

## Impact of SB 1459

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- ❑ This is the fifth valuation to reflect the impact of SB 1459.
- ❑ SB 1459 has only a small impact on the FY 2017 OPEB liabilities and costs, since it applies to only a small segment of the membership, most of whom will not be eligible to retire for many years.
- ❑ But the impact of the bill will gradually grow for many years:
  - As employees to whom the requirements do not apply are replaced by those to whom they do, and
  - As employees to whom the requirements apply get closer to and eventually retire.
- ❑ The requirements of SB 1459 will:
  - Reduce the state's liability and cost for applicable employees who retire with less than 20 years of service.
  - Discourage some applicable employees and vested terminated members with less than 20 years of service from enrolling for insurance upon retirement.

# FY 2017 GBP OPEB Valuation

## Actuarial Cost Method and Assumptions

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- Actuarial cost method
  - Entry Age (also known as the Entry Age Normal) actuarial funding method.
  - Although GASB 74 has changed the name, this is same method used since inception of the GASB OPEB reporting requirements.
  - Same method used for ERS retirement plan valuation.
  - Normal cost and 30 year amortization amounts are determined as level percentages of pay.
  
- Actuarial assumptions
  - Demographic and pay-related assumptions are the same as those used in valuing the retirement plans.
  - Discount Rate assumption for a plan funded on a PAYGO basis must be based on the yields of 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.
  - Health plan benefit cost trend has been established consistent with other economic assumptions as required by GASB.

# FY 2017 GBP OPEB Valuation

## Demographic Assumptions

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- Demographic assumptions include:
  - Mortality
  - Disability
  - Termination
  - Retirement
  
- State agency employees and retirees:
  - Same demographic assumptions as those utilized by ERS for its retirement plan valuation for FY 2017.
  - These assumptions are being used for the first time.
  
- Higher education employees and retirees:
  - Same demographic assumptions as those utilized by TRS for its retirement plan valuation for FY 2017.
  - These assumptions are the same as those used for the FY 2016 valuation, except for the inflation component of the salary scale which is now consistent with the inflation assumption utilized by TRS for its retirement plan valuation.

# FY 2017 GBP OPEB Valuation

## Economic Assumptions

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- Economic assumptions include:
  - Inflation
  - Payroll growth and inflationary salary increases
  - Salary increases for merit, promotion and longevity
- State agency employees and retirees:
  - Same economic assumptions as those utilized by ERS for its retirement plan valuation for FY 2017.
  - These assumptions are being used for the first time.
- Higher education employees and retirees:
  - Same economic assumptions as those utilized by TRS for its retirement plan valuation for FY 2017.

# FY 2017 GBP OPEB Valuation

## Economic Assumptions – Discount Rate Assumption

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- ❑ Since OPEB benefits provided under the GBP are funded on a PAYGO basis, GASB 74 requires the Discount Rate assumption to be based on yields of 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.
- ❑ The assumed Discount Rate for the FY 2017 valuation is 3.51% based on the 8/31/17 Bond Buyer Index of general obligation bonds with 20 years to maturity with an average credit quality that is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA rating.
- ❑ This rate is significantly lower than the 5.5% rate used in prior years for the GASB 43 valuation.

# FY 2017 GBP OPEB Valuation

## Economic Assumptions – FY 2018 Per Capita Health Benefit Costs

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- The OPEB valuation is based on projected Per Capita Health Benefit Costs for FY 2018
  - By gender
  - By age
  
- Since the addition of the Medicare Advantage PPO option effective January 1, 2012, it has been necessary to have two sets of Per Capita Health Benefit Costs:
  - HealthSelect (for participants for whom Medicare is not primary and for Medicare-primary participants who elect to remain in HealthSelect).
  - HealthSelect Medicare Advantage (for Medicare-primary participants who elect HealthSelect Medicare Advantage).

# FY 2017 GBP OPEB Valuation

## Economic Assumptions – FY 2018 Per Capita Health Benefit Costs

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- HealthSelect (medical and prescription drug)
  - The retiree population is such that a great deal of credible data exists.
  - Extensive historical data allows us to examine both current cost as well as evolving cost trends.
  - HealthSelect experience data through FY 2017 is used to establish current gender/age-specific costs for HealthSelect.
  
- HealthSelect Medicare Advantage
  - Per capita medical costs are based on the HealthSelect Medicare Advantage premiums applicable to the fully insured medical benefits and the associated Health Insurance Provider Fee as required under the Affordable Care Act (ACA).
  - Per capita prescription drug costs are the same as those applicable to HealthSelect participants since HealthSelect Medicare Advantage participants have the same prescription drug coverage as HealthSelect participants.

# FY 2017 GBP OPEB Valuation

## Economic Assumptions – Health Plan Benefit Cost Trend

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- ❑ A select and ultimate trend assumption is used which begins at the levels we are using for the current biennium.
- ❑ The trends have been revised to reflect updated projections for FY 2019 – FY 2027.
- ❑ The trend is expected to be 8.5% through FY 2019 and then decline over the next eight years to a “sustainable” ultimate level.
- ❑ The ultimate level is 200 basis points in excess of the assumed rate of inflation ( $4.5\% = 2.5\% + 2.0\%$ ).
- ❑ The ultimate level is 100 basis points below that used in previous OPEB valuations in order to reflect the reduced assumed rate of inflation adopted by the Board.

# FY 2017 GBP OPEB Valuation

## Economic Assumptions – Health Plan Benefit Cost Trend

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Fiscal Year	FY 2016 Valuation	FY 2017 Valuation
2019	8.5%	8.5%
2020	7.5%	8.0%
2021	7.0%	7.5%
2022	6.5%	7.0%
2023	6.0%	6.5%
2024	5.5%	6.0%
2025	5.5%	5.5%
2026	5.5%	5.0%
2027 and beyond	5.5%	4.5%

# FY 2017 GBP OPEB Valuation

## GBP Membership

Category	Members	Covered Spouses	Covered Dependent Children	Total
Actives	230,199 <sup>1</sup>	40,910 <sup>2</sup>	125,356	<b>396,465</b>
Deferred Vested	11,557	0 <sup>2</sup>	0 <sup>2</sup>	<b>11,557<sup>2</sup></b>
Retirees and Nominees	117,880 <sup>3</sup>	29,767	10,113	<b>157,760</b>
<b>Total - August 31, 2017</b>	<b>359,636</b>	<b>70,677</b>	<b>135,469</b>	<b>565,782</b>
Total - August 31, 2016	<b>359,867</b>	<b>70,717</b>	<b>136,354</b>	<b>566,938</b>
Change	(231)	(40)	(885)	<b>(1,156)</b>

<sup>1</sup> Includes (a) return-to-work retirees and (b) employees who have not yet satisfied the waiting period.

<sup>2</sup> Rather than use current spouse/dependent child coverage information, actuarial assumptions are used to estimate the future number of spouses and dependent children that will be covered at retirement.

<sup>3</sup> Includes 4,248 retirees who receive the Opt-Out Credit in lieu of health benefits.

# FY 2017 GBP OPEB Valuation

## Results (See page II-1 of the Actuarial Valuation Report.)

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Member Class	APVPBP	NC (2017)	APVFNC (After 2017)	Total OPEB Liability
Actives	\$36,982M	\$1,496M	\$16,695M	\$18,791M
Vested Non-Contributing	1,991M	0	0	1,991M
Retirees	14,001M	0	0	14,001M
<b>Total</b>	<b>\$52,974M</b>	<b>\$1,496M</b>	<b>\$16,695M</b>	<b>\$34,783M</b>

### Terminology

- APVPBP = Actuarial Present Value of Projected Benefit Payments
- NC = Normal Cost
- APVFNC = Actuarial Present Value of Future Normal Costs
- Total OPEB Liability = APVPBP – NC (2017) – APVFNC (After 2017)

# FY 2017 GBP OPEB Valuation

## Results (See page II-3 of the Actuarial Valuation Report.)

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Actuarially Determined Contribution (ADC) for FY 2017		
OPEB Measure	Amount	Percentage Of Payroll
Normal Cost	\$1,496M	12.7%
Amortization of Net OPEB Liability	1,219M	10.4%
<b>Total ADC</b>	<b>\$2,715M</b>	<b>23.1%</b>

# FY 2017 GBP OPEB Valuation

## Reconciliation with FY 2016 (See page II-5 of the Actuarial Valuation Report.)

OPEB Measure	Actual FY 2016	Expected FY 2017 Based on FY 2016 Assumptions	Change Attributable to			Actual FY 2017
			Differences in Actual vs Expected	Assumption Changes	Plan Change	
Total OPEB Liability	\$27,091M	\$29,035M	(\$496M)	\$6,244M	0	\$34,783M
Normal Cost	\$1,123M	\$1,162M	(\$25M)	\$359M	0	\$1,496M

- a) Year-to-year increases will occur if actual and expected experience are the same:
  - Total OPEB Liability: Since OPEB is funded on a PAYGO basis, the excess of NC plus interest over the PAYGO amount increases the Total OPEB Liability.
  - Normal Cost (NC): NC is determined as a level percentage of payroll; therefore the dollar amount increases due to growth in active employment and/or inflationary increases in salaries.
- b) Gains/losses from differences in actual vs expected will occur to the extent that the assumptions are too pessimistic or optimistic; e.g., fewer retirements than were expected would create a gain.
- c) SB1459 has resulted in liabilities and costs that are lower than they would have otherwise been. The impact of SB 1459 will grow over time.

# FY 2017 GBP OPEB Valuation

## Comparison of FY 2016 and FY 2017 Results

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OPEB Measure	FY 2016	FY 2017
Normal Cost - % Payroll	9.5%	12.7%
Amortization - % of Payroll	10.0%	10.4%
ADC - % Payroll	19.5%	23.1%

# FY 2017 GBP OPEB Valuation

## Impact Of Assumption Changes

Assumption Change	Approximate Increase/ (Decrease)			
	Total OPEB Liability		Normal Cost	
	Amount	Percentage*	Amount	Percentage*
Discount Rate	\$8.0 Billion	27.9%	\$605 Million	53.2%
Mortality	\$1.4 Billion	5.0%	\$74 Million	6.5%
Retirement	(\$0.7 Billion)	(2.4%)	(\$73 Million)	(6.4%)
Claims and Trend	(\$3.2 Billion)	(11.2%)	(\$227 Million)	(20.0%)
Salary	\$0.8 Billion	3.0%	\$1 Million	0.1%
All Other Changes	(\$0.1 Billion)	(0.4%)	(\$21 Million)	(1.8%)
<b>Total</b>	<b>\$6.2 Billion</b>	<b>21.9%</b>	<b>\$359 Million</b>	<b>31.6%</b>

\*As a percentage of corresponding amount prior to assumption changes.

# FY 2017 GBP OPEB Valuation

## Sensitivity of OPEB Liability to Discount Rate and Trend

<b>Sensitivity to Changes in Discount Rate</b>			
	1% Decrease (2.51%)	Current Discount Rate (3.51%)	1% Increase (4.51%)
Total OPEB Liability	\$41.4 Billion	\$34.8 Billion	\$29.7 Billion

<b>Sensitivity to Changes in Trend</b>			
	1% Decrease (7.50% decreasing to 3.50%)	Current Trend (8.50% decreasing to 4.50%)	1% Increase (9.50% decreasing to 5.50%)
Total OPEB Liability	\$29.3 Billion	\$34.8 Billion	\$41.8 Billion

# Appendix

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- ❑ See Section X of the Actuarial Valuation Report for the definitions of certain terms used in this presentation.
  
- ❑ Other employers include the following:
  - Community Supervision and Corrections Departments
  - Texas Cooperative Inspection Program
  - Texas County and District Retirement System
  - Texas Municipal Retirement System
  - Texas Turnpike Authority
  - University of Texas Medical Branch at Galveston
  - University of Texas Mental Sciences Institute
  - Windham School District

Questions?

# Public Agenda Item #11.1

## *Executive Director Agency Update*

December 13, 2017

Porter Wilson, Executive Director

# Executive Director's Report

## *Sunset: Required Board Training*



- **Government Code §815.009 (a):** “. . . a member of the board of trustees may not vote, deliberate, or be counted as a member . . . Until the person completes a training program that complies with this section.”
- **Government Code §815.009 (d):** “. . . On receipt of the training manual, each member of the board of trustees shall sign and submit . . . A statement acknowledging receipt of the training manual.”

### Board Training Manual Contents:

1. Orientation Briefing Book (Sept 2017)
2. ERS Laws Book (May 2016)
3. ERS Rules Book (March 2016)
4. 2018 Operating Budget (August 2017)
5. Investment Policy (May 2017)
6. Audit Information
7. Open Meeting and Public Information Acts
8. Acknowledgement Form

# Executive Director's Report

## *Federal Tax Bill Update*



- House
  - Unrelated Business Income Tax (UBIT) provision
- Senate
  - 457/401(k) provisions
- Will continue to monitor issues as the bill moves through Conference process.

# Plan Year 2018 Fall Enrollment

*Retirees enrolled in Medicare and their families*



**ERS mailed  
85,828 PBES  
packets.**



**3,775 members  
made coverage  
changes.**



**ERS and ACT  
handled  
2,418 calls:  
• 430 by ERS  
• 1,989 by ACT.**



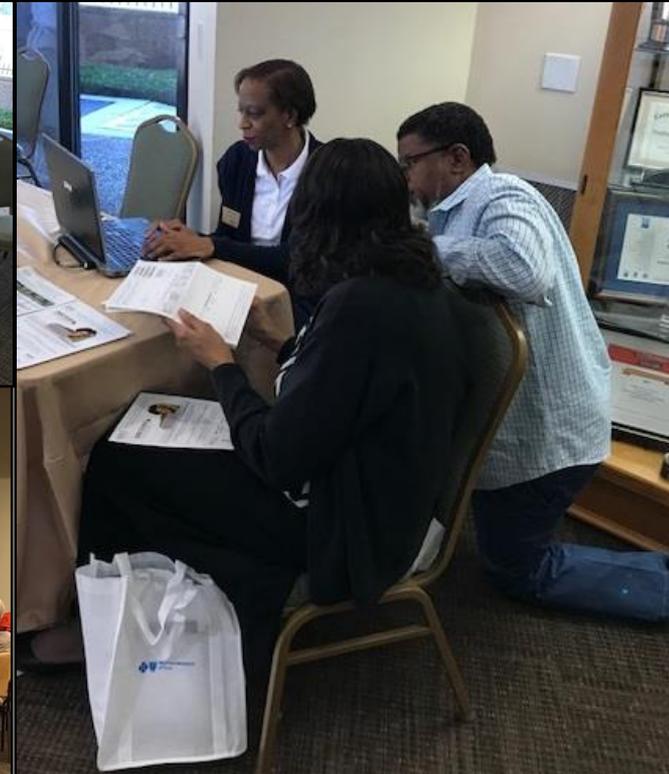
**42 people  
visited ERS in  
person.**

# Executive Director's Report

## *Fall Enrollment Outreach*



- About 190 people attended nine fairs across Texas.
- 10 people participated in two webinars.
- The Fall Enrollment webpages had more than 3,100 views.



# Executive Director's Report

## Customer Benefits Performance and Data



### SERVICE DELIVERY

ERS		FY 2016	FY 2017
<b>Calls</b>	Retirement	71,235	77,733
	Insurance	100,554	99,244
	<b>Total</b>	<b>171,789</b>	<b>176,977</b>
<b>Emails</b>	Retirement	5,562	5,956
	Insurance/Customer Service	5,119	5,144
	<b>Total</b>	<b>10,681</b>	<b>11,100</b>
<b>Visits</b>	Retirement	3,022	2,756
	Insurance	1,349	1,133
	<b>Total</b>	<b>4,371</b>	<b>3,889</b>
<b>Avg Speed of Answer/Avg Handletime</b>		8:42/10:25	13:06/11:34

The Virtual Callback feature was deployed in June 2017. 8,636 callbacks were offered; 5,652 callers selected the option.

- Over 35K calls related to insurance eligibility, options and the TPA transition to BCBS were handled in FY17.
- Over 32K calls were handled for which members explored retirement eligibility, requested estimates, purchased service and applied for retirement.

ACT ERS		FY 2016	FY 2017
<b>Calls</b>	Customer Service	148,171	151,970
	Withdrawal	25,579	33,990
	Enrollment	19,026	50,193
<b>Total</b>		<b>192,776</b>	<b>236,153</b>
<b>Avg Speed of Answer/ Avg Handletime</b>		0:58/6:10	2:28/6:09

- Rather than closing the Enrollment queue following enrollment periods, it remained open throughout the year to help triage insurance calls, resulting in 163% increase in volume in that queue (over FY17).

# Executive Director's Report

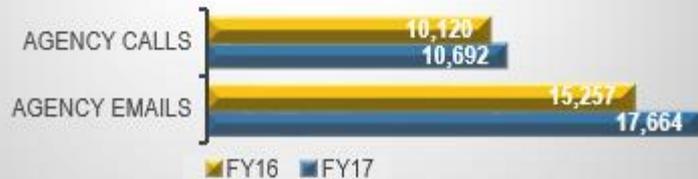
## Customer Benefits Performance and Data



### MEMBER SURVEYS



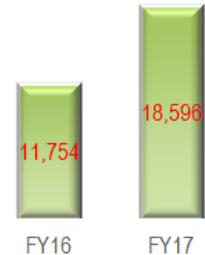
### BENEFIT COORDINATOR ASSISTANCE



### RETIREMENTS & PARTIAL LUMP SUM OPTION (PLSO)



### RETIREMENTS ACCOUNT WITHDRAWALS



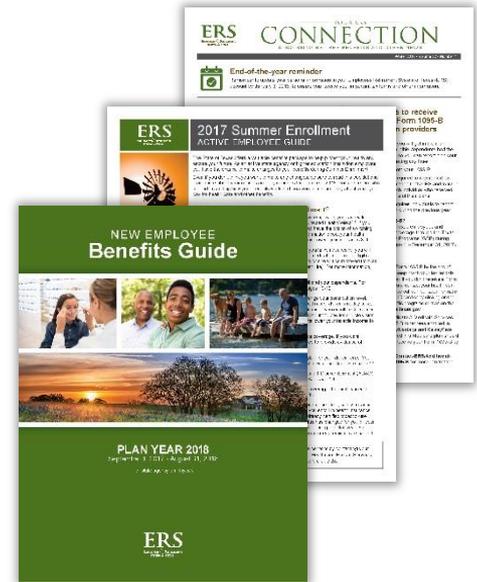
# Executive Director's Report

## Review of ERS Publications



Objective – Evaluate and recommend improvements to ERS publications:

- Annual enrollment guides
- *New Employee Benefits Guide*
- *News About Your Benefits* monthly e-newsletter for active employees
- *Your ERS Connection* quarterly newsletter for retirees
- *Coordinator's Update-express* biweekly e-newsletter for agency/institution benefits coordinators



# Executive Director's Report

## *Review of ERS Publications*



Process – ERS has contracted with San Antonio-based Texas Creative to:

1. Review communications industry standards and peer publications ✓
2. Interview key ERS staff ✓
3. Develop evaluation criteria ✓
4. Survey audiences (underway)
5. Review publications against criteria (upcoming)
6. Report findings and recommendations (February 2018)

ERS will implement recommendations in 2018 and continue to make improvements based on findings.



# Executive Director's Report

## Review of ERS Publications



### Criteria for Publications

#### Internal Objectives

Compelling	Mobile-friendly	Sharable
Engaging	Clearly actionable	Interactive

#### Scored Measures

Branding	Headlines	Overall look
Relevance	Images	Readability
Prioritization	Table of contents / preview	Believability
Educational aspects	Article / paragraph length	Writing style

# Executive Director's Report

## *Review of ERS Publications*



### Ultimate Goal

Publications that function well for audiences to:

- Open and scan
- Click through and read
- Stay subscribed
- Use the ERS website
- Take the right actions

So ERS can:

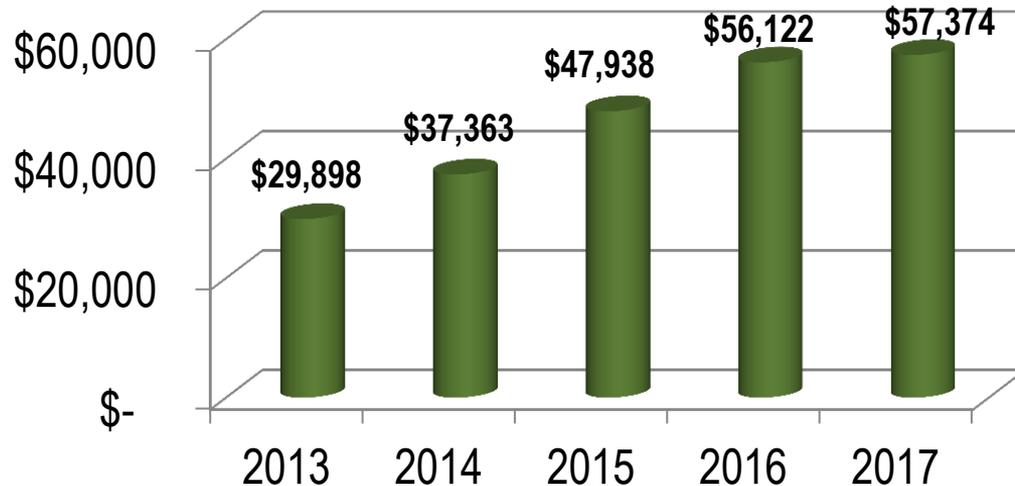
- Engage
- Support
- Educate
- Encourage
- Follow through

# Executive Director's Report

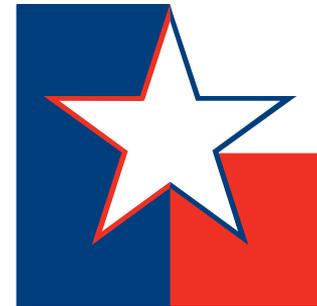
## State Employee Charitable Campaign 2017



We are pleased to announce we **EXCEEDED** our fundraising goal.  
281 (77%) employees contributed **over \$57,370** to the 2017 campaign.



Together We Care



[secctexas.org](http://secctexas.org)

Questions?

## Public Agenda Item #12.1

*Set 2018 Meeting Dates for the Joint Meeting of the ERS Board of Trustees and Investment Advisory Committee, The Meeting of the Board of Trustees, and Meeting of the Audit Committee*

December 13, 2017

# 2018 Meeting Dates



## Proposed 2018 Meeting Dates:

Wednesday, March 7, 2018

Wednesday, May 23, 2018

Wednesday, August 29, 2018

2 Day Workshop:

Tuesday – Wednesday, December 11-12, 2018

# Public Agenda Item #13.1

*Adjournment of the ERS Board of Trustees Meeting*

December 13, 2017