Texas Employees Group Benefits Program Annual Report FY17

Employees Retirement System of Texas

FEBRUARY 2018

ERS
Employees Retirement System of Texas

Employees Retirement System of Texas

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February 2018

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FY17 highlights

The Texas Employees Group Benefits Program (GBP) health insurance covers more than half a million people in Texas

That's one in 52 Texans!

The state and higher education employees, retirees and their family members with GBP health insurance would fill the Darrell K. Royal Texas Memorial Stadium **five times over**!

A primary objective for offering health and retirement benefits is to attract and retain a qualified workforce to serve the State of Texas.

Premium contributions increased 0.7% in FY18

Efforts combine to keep costs down.

Who is responsible for establishing policy for the insurance program?

Texas Legislature			ERS Board of Trustees	
Eligibility	**Contribution Strategy**	**Appropriations**	**Professional Management**	**Plan design**
Who is eligible for insurance coverage?	How is the cost shared?	How is the cost funded?	How do contracting and cost management save the plan money?	How do benefits ensure quality, provide choice and align incentives with health risks?

The per capita annual increase in HealthSelect costs was lower than expected, mainly due to a dramatic decrease in pharmacy costs

Total annual per capita cost increase for FY17 was just 3.2%

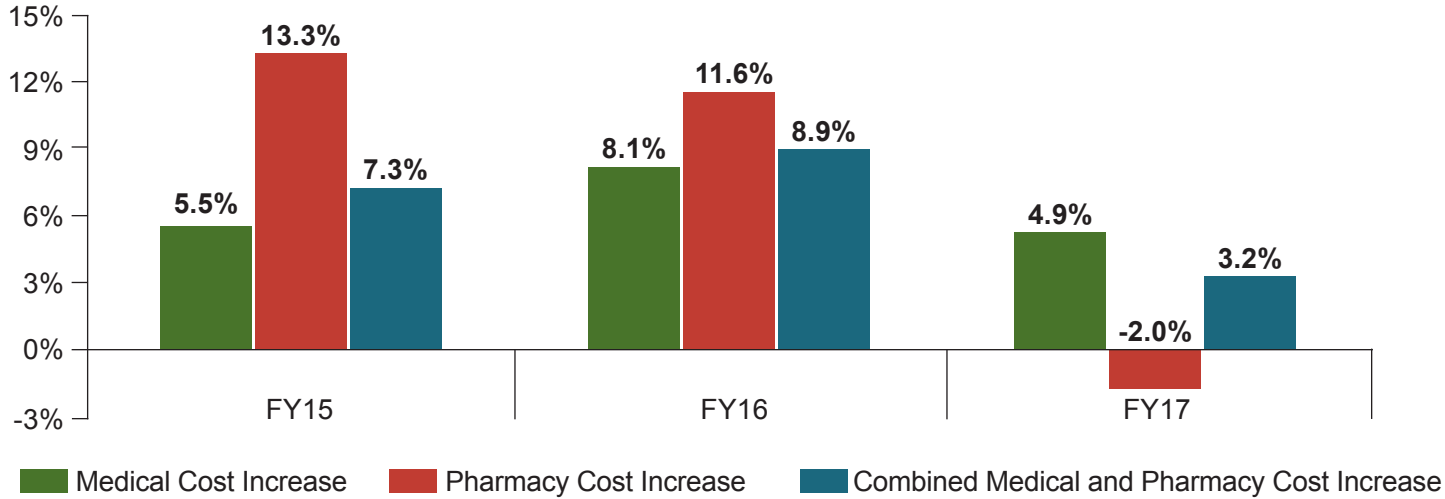


*Chart reflects year-over-year health care cost increase per capita for self-funded insurance plans, including HealthSelect medical and pharmacy, and HealthSelect Medicare Rx. It does not include the HealthSelect Medicare Rx for those members enrolled in one of the GBP's Medicare Advantage plans.

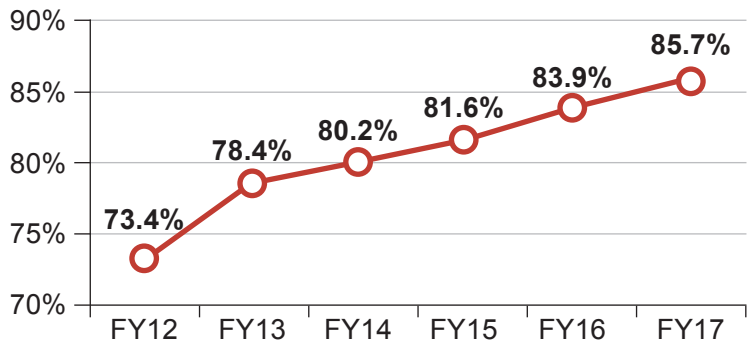
Pharmacy costs were down significantly

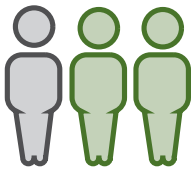
In January 2017, the new pharmacy benefit manager implemented a formulary change that resulted in an almost immediate 2% increase in the generic dispensing rate.

This built upon the gains from an ERS decision in 2015 to reduce generic copays from $15 to $10 per prescription.

The new PBM contract also reduced pharmacy reimbursements.

HealthSelect generic dispensing rate has gained 12 percentage points in just six years





Two out of three surveyed GBP participants said they had asked their doctor for a generic medication in the past year.

The GBP is cost-efficient, with low administrative costs

HealthSelect spends just two cents per dollar on administrative costs (including internal and external).

2¢ HealthSelect spends only 2 cents of every dollar on administrative costs.

HealthSelect per member per month (PMPM) administrative fees decreased in FY18. According to Mercer, the state is currently paying less than half for plan administration than the average large private sector employer plan.

Average monthly administrative fees are less than half

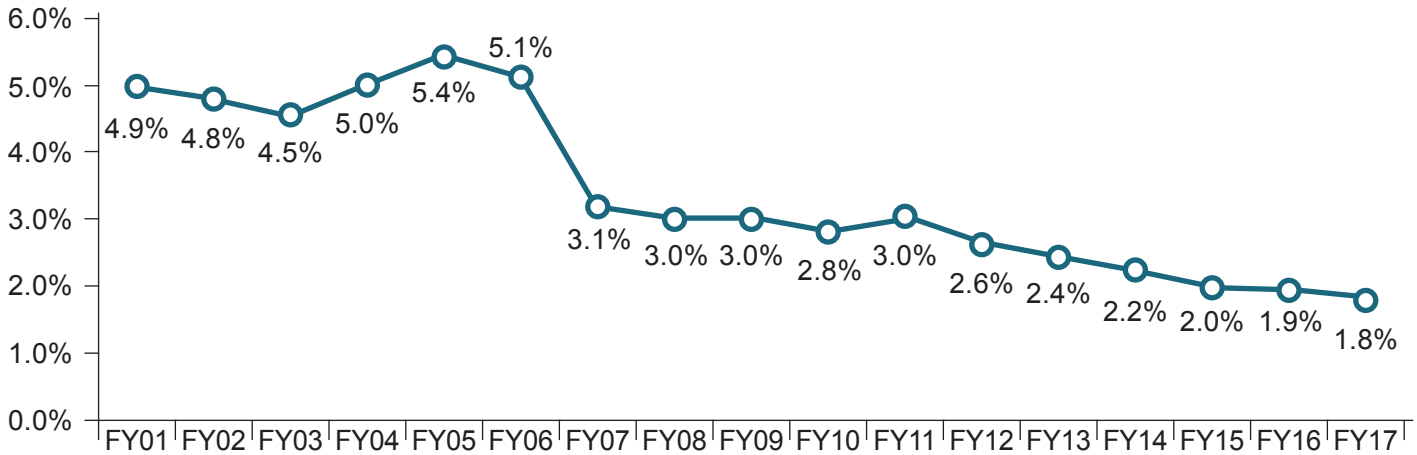
Private sector administrative fee

HealthSelect administrative fee

GBP external administrative costs continue to decline

ERS has decreased the percentage it spends on administrative expenses significantly through rebidding major contracts.

External administrative costs as a percent of total GBP spending



GBP by the numbers, FY17

97%
of all GBP participants live in Texas

$9.6 million
spent daily on GBP medical and prescription drug costs

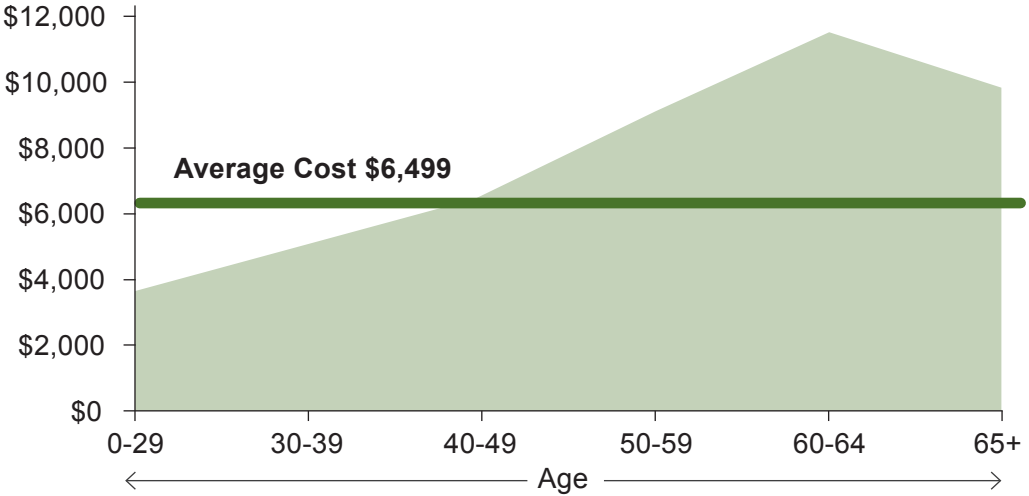
$3.5 billion
in GBP payments to doctors, hospitals, pharmacies and other health care providers across Texas

6.1 million
HealthSelect medical claims paid last year

GBP participants benefit from a large risk pool

Because anyone – young or old – can have an unforeseen catastrophic health event, ERS spreads health care costs across all 534,000 participants, keeping the plan affordable for everyone when they need it.

HealthSelect average annual claims cost by age group, all medical and pharmacy claims, FY17



Averaging costs among the members keeps the plan affordable for all

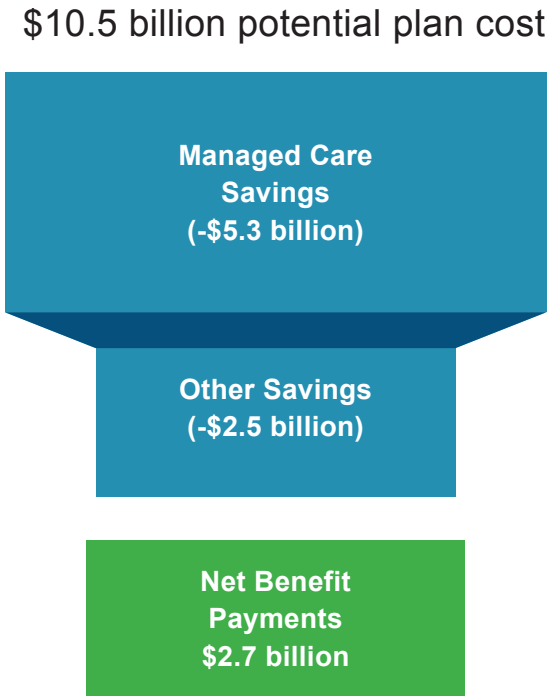
Major contracts rebid in FY17 could save $2.1 billion over 6 years

	Third-party Administrator (TPA) Contract	Pharmacy Benefit Manager Contract
Program	HealthSelect of Texas℠	HealthSelect Prescription Drug Program and HealthSelect Medicare Rx
Prior TPAs	UnitedHealthcare	Caremark and SilverScript
Awarded to	BlueCross and BlueShield of Texas	UnitedHealthcare and OptumRx (a subsidiary of UnitedHealthcare)
Total Projected Savings	$1.1B over six years	$1B over six years
Factors Driving Savings	More competitive provider reimbursement rates and savings on the administrative fee	Better ingredient cost guarantees and higher rebates

Cost management practices reduced HealthSelect costs $7.8 billion last year

Employee health insurance is a significant expense for the State of Texas, so it's important to get the most out of every dollar.

Of $10.5 billion in potential health plan cost, the plan paid out only $2.7 billion. Half the reduction was due to managed care discounts with medical and pharmacy providers.

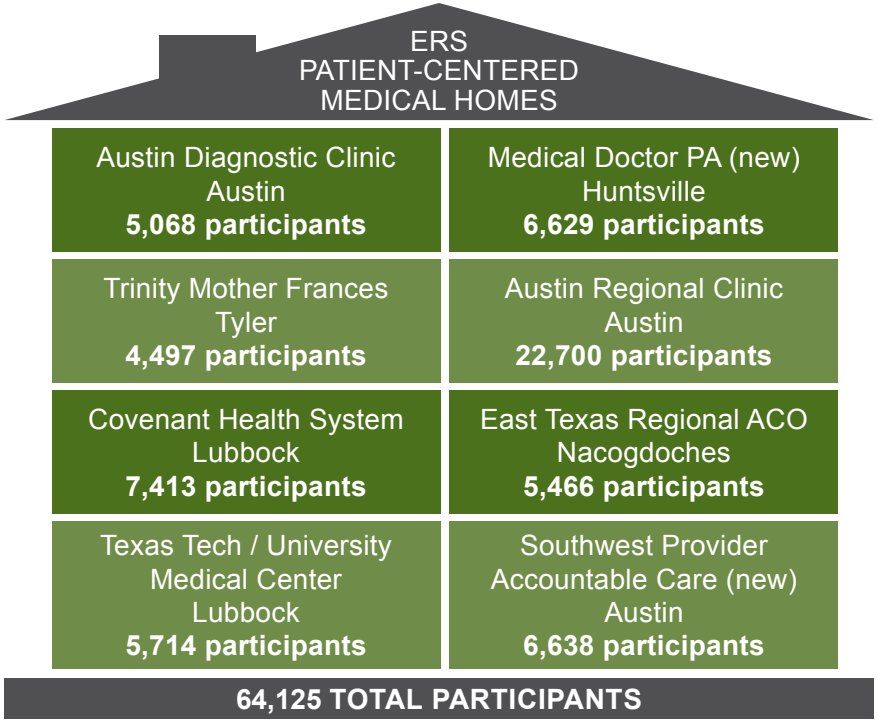


ERS' award-winning patient-centered medical homes reduce costs

ERS expanded the number of patient-centered medical homes (PCMHs), now managing 15% of HealthSelect participants.

PCMH participants cost 8% less than other HealthSelect members who don't get care from a PCMH.

Since FY11, PCMH practices have saved the plan $72.5 million, and the practices themselves have received $14.7 million in shared savings payments, in addition to their contracted reimbursements for medical care.



Tobacco premium contributions yielded $13.2 million in FY17

- In FY17, ERS collected $13.2 million in tobacco premium contributions from more than 36,500 participants certified as tobacco users.
- Starting in FY14, all adult participants are assumed to be tobacco users unless they certify otherwise. Participants who fail to certify their tobacco use or non-use must pay the $30 tobacco-user premium.
- Participants who certify as tobacco non-users face possible expulsion from health coverage if caught using tobacco.

8.5% of adults in the GBP paid the tobacco-user premium contribution of $30 a month in FY17

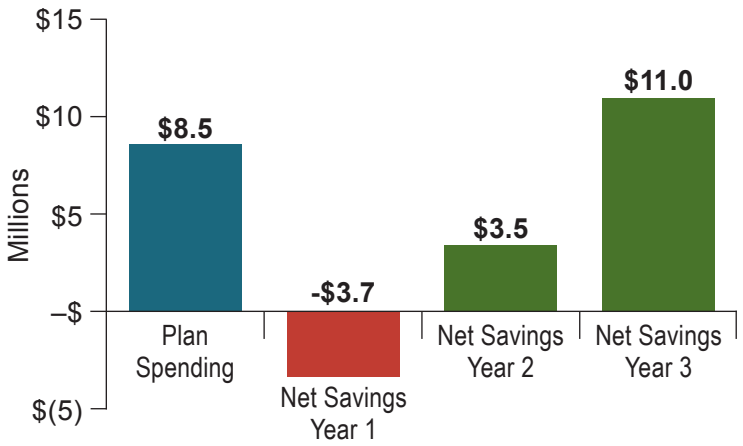
Based on national tobacco prevalence statistics, ERS estimates there could be as many as 65,000 adult tobacco users in the GBP.

ERS implemented a pre-diabetes prevention program, with a projected 2.3-to-1 return on investment over three years

Real Appeal is an online "virtual" lifestyle intervention program that encourages weight loss through education about diet and exercise.

ERS spent $8.5 million for more than 23,000 participants to enroll in the program between April 2016 and October 2017. The program administrator projects $11 million in net savings on the initial investment over three years, due to reduced diabetes- and obesity-related claims.

Real Appeal projects a net savings of $11 million after three years



Real Appeal participants lost a total of 115,802 pounds

What Benefits Do We Offer?

...about our plans

HealthSelect of Texas℠ has been the basic health plan for state employees since 1992

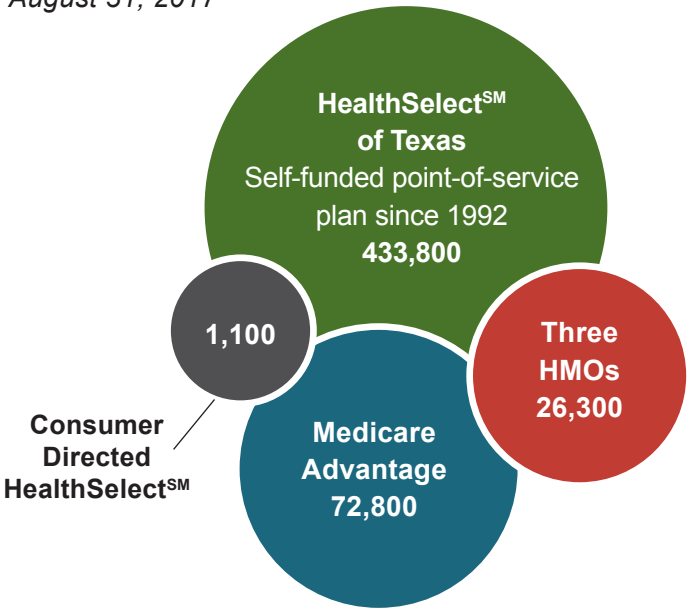
ERS has managed insurance benefits for state employees and retirees since 1976.

The ERS Board of Trustees designs and contracts for the insurance options offered under the Texas Employees Group Benefits Program.

Employees are automatically enrolled in HealthSelect after a 60-day waiting period, but may opt out or switch to another plan.

83% of all participants enroll in HealthSelect of Texas

August 31, 2017



The GBP provides a choice of benefits coverages

Health Benefits	Medicare-eligible Retiree Health Benefits	Optional Add-on GBP Benefits
HealthSelect℠ of Texas	**HealthSelect℠ of Texas**	**Dental Plans**
• Point-of-service plan • Consumer directed health plan • Prescription drug program	• Medicare Advantage preferred provider organization (PPO) • Secondary plan • Employer prescription drug program	• Dental PPO • Dental HMO • Dental Discount Plan
Health Maintenance Organizations (HMOs)	**HMOs**	**Vision Insurance**
• Community First Health Plans • KelseyCare powered by Community Health Choice • Scott & White Health Plan	• Medicare Advantage HMO • Community First Health Plans • KelseyCare powered by Community Health Choice • Scott & White Health Plan	**Optional Life, AD&D Insurance** **Long-term, Short-term Disability**

Who administers GBP insurance benefits?

The ERS Board of Trustees designs and contracts for the insurance options offered under the GBP.

ERS manages third-party administrators (TPAs) that administer GBP self-funded benefit plans. For GBP fully insured plans, the state contracts with insurance carriers that are responsible for claims and administrative costs. Pharmacy benefit managers (PBMs) administer the prescription drug benefits.

TPA and PBM services generally include:

- Accessible, high quality provider network
- Claims processing
- Disease management and wellness programs
- Communications and customer service
- Data analysis and reporting, utilization review and actuarial services

GBP health insurance choices – FY17 benefit highlights

	HealthSelect (point-of-service plan)	Consumer Directed HealthSelect (HDHP with HSA)	Regional Health Maintenance Organizations (HMOs)	Medicare Advantage (MA) PPO or HMO
Administrator/ Insurance Carrier	UnitedHealthcare changed to Blue Cross and Blue Shield of Texas September 1, 2017		Community First; Scott & White; KelseyCare powered by Community Health Choice	Humana for HealthSelect MA; KelseyCare Advantage HMO
Deductibles?	$50 prescription drug deductible	$2,100 individual; $4,200 family	$50 prescription drug deductible	$50 prescription drug deductible
Referrals Needed for Specialty Care?	Yes	No	Mostly, no	No
Single Premium Contribution	$617 state; $0 member	$617 state; $0 member	$484 - $610 state; $0 member	$266 - $617 state; $0 member
Family Premium Contribution	$1,208 state; $590 member	$1,208 state; $531 member	$946 - $1,194 state $463 - $584 member	$530 - $1208 state; $264 - 314 member
Tax-free Savings Accounts?	Flexible spending account (FSA)	Health savings account (HSA); limited purpose FSA	FSA	Participants may use accumulated HSA balances to pay medical expenses

Consumer Directed HealthSelect

In addition to the HealthSelect of Texas point-of-service plan, starting September 1, 2016, members could choose Consumer Directed HealthSelect, a high-deductible health plan (HDHP) with a portable tax-advantaged health savings account (HSA).

Consumer Directed HealthSelect has lower dependent premiums than HealthSelect of Texas. The state also contributes $45 to an individual HSA and $90 to an HSA for family coverage. HSA account balances stay with the member and can be used for current or future health care costs. HSAs with more than $2,000 can be invested. They are not subject to taxes if used for health care costs.

Unlike the “gatekeeper” model in the HealthSelect point-of-service plan, Consumer Directed HealthSelect has a statewide network that allows participants to see specialists without a referral.

CONSUMER DIRECTED HealthSelect℠

2017 Deductible (includes prescriptions)	Individual Coverage	Family Coverage
In-network	$2,100	$4,200
Out-of-network	$4,200	$8,400

Tax-free savings accounts

Health savings accounts (HSAs)

Consumer Directed HealthSelect participants may open an HSA to set money aside, tax-free, to pay for eligible out-of-pocket health expenses.

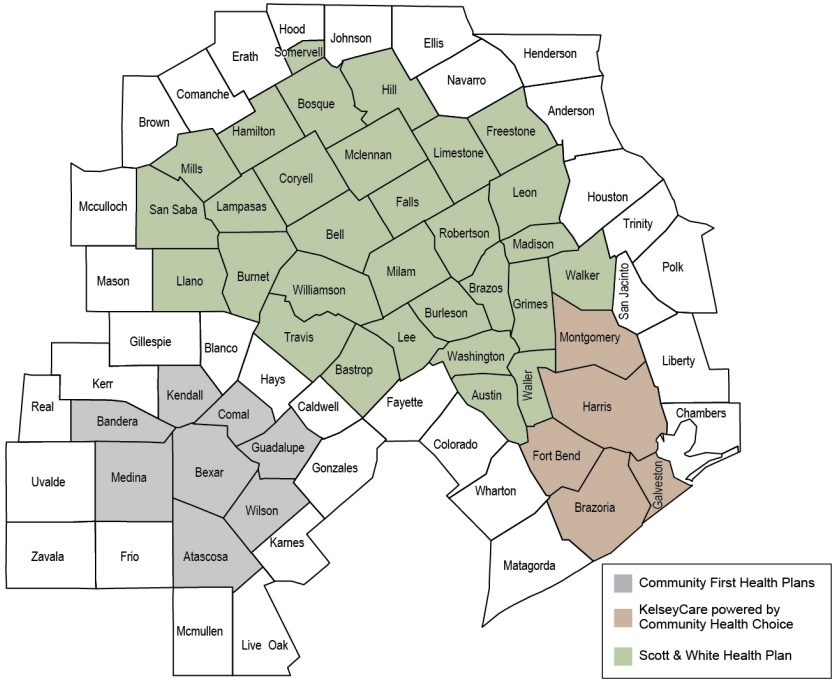
HSA contributions and maximums for 2017

	Individual Coverage	Family Coverage
Annual Maximum Contribution Calendar Year 2017	$3,350	$6,750
Annual State Contribution	$540 ($45 monthly)	$1080 ($90 monthly)
Annual Maximum Participant Contribution	$2,710	$5,670

FY17 HSA Activity	
Number of Accounts Active	583
Average Account Balance	$923
Average Employee Monthly Contribution	$115
Average Employer Monthly Contribution	$62

Health maintenance organizations (HMOs) offer regional choices

- **Community First Health Plans** in the San Antonio area
- **KelseyCare powered by Community Health Choice** in the Houston area
- **Scott & White Health Plan** in central Texas



Retiree health insurance is also available to eligible retirees

HealthSelect of Texas℠ Medicare Advantage Plan

In addition to the HealthSelect and HMO plans, the State of Texas offers two Medicare Advantage (MA) options for retirees with lower dependent premiums:

- **HealthSelect Medicare Advantage** (statewide MA PPO plan)
- **KelseyCare Advantage** (regional MA HMO plan)

When GBP retirees and their dependents reach age 65 and become eligible for Medicare-primary coverage, they are automatically enrolled in HealthSelect Medicare Advantage, with the option to switch back to HealthSelect or their HMO at any time.

72% of Medicare-primary retirees and their Medicare-primary spouses remained in the MA plans, while the rest chose HealthSelect or an HMO

All participants have prescription drug coverage

HealthSelect Prescription Drug Program. All HealthSelect of Texas participants not enrolled in Medicare receive drug benefits through the HealthSelect Prescription Drug program. On January 1, 2017, the PBM contract transitioned to OptumRx, an affiliate of UnitedHealthcare.

HealthSelect Medicare Rx℠ on January 1, 2013, HealthSelect Medicare Rx, a self-funded employer group waiver program with a wraparound feature (EGWP + Wrap) became available for most Medicare-primary participants. An EGWP + Wrap program wraps around the Medicare drug benefit to ensure that Medicare drug benefits are equal to traditional HealthSelect drug benefits. On January 1, 2017, the Medicare PBM contract transitioned to United HealthCare.

HMOs provide both health and prescription coverage to participants.

Prescription drug copays

	30-day retail	90-day retail	90-day mail order
Generic	$10	$30	$20
Brand-name	$35	$105	$70
Specialty	$60	$180	$120

GBP health insurance plans also include wellness support

	Point-of-Service Plan and HDHP	Health Maintenance Organizations			Medicare Advantage	
	HealthSelect	Scott & White Health Plan	Community First Health Plans	Kelsey Care powered by Community Health Choice	HealthSelect Medicare Advantage	KelseyCare Advantage
24/7 Nurse Line	✓	✓	✓	✓	✓	✓
Health Risk Assessments	✓	✓	✓	✓	✓	
General Wellness Programs	✓	✓	✓		✓	
Condition/Disease Management Programs	✓	✓	✓	✓	✓	✓
Tobacco Cessation	✓	✓	✓		✓	✓
Weight Loss/Management	✓	✓	✓		✓	✓
Health Coaching	✓	✓	✓		✓	✓
Pregnancy/Maternity Support	✓	✓	✓	✓		
Wellness Discounts	✓				✓	✓

The GBP includes a full range of voluntary benefits

Members pay 100% of the cost for voluntary benefit programs in which they enroll. There is no employer contribution.				
Coverage	**Plan Type**	**Funding**	**TPA/Insurer**	**FY17 Enrollment**
Dental	PPO	Self-funded	Humana	303,414
	HMO	Fully insured	DentiCare, Inc. (subsidiary of Humana)	122,850
Vision	Vision benefits	Self-funded	Superior Vision	137,289
Optional Life	Group term insurance	Fully insured	Securian	322,555
Voluntary AD&D	Group term insurance	Fully insured	Securian	130,239
Texas Income Protection Plan (Disability Insurance)	Short-term	Self-funded	ReedGroup	113,793
	Long-term	Self-funded		87,869
State of Texas Dental Discount Plan℠	Discount (non-insurance) program	NA	Careington International	11,003
TexFlex	Flexible savings account	NA	WageWorks	51,662

Dental and vision

The GBP offers three optional dental benefits programs:

- State of Texas Dental Choice Plan℠ a national preferred provider organization (PPO)
- HumanaDental DHMO, a dental health maintenance organization (DHMO) plan with a Texas network
- State of Texas Dental Discount Plan℠, a non-insurance discount program offering discounts on dental treatment and services at participating providers

The GBP also offers vision coverage for participants:

- The State of Texas Vision plan, administered by Superior Vision, which covers a portion of the cost of contact lenses or eyeglasses each year as well as discounts for LASIK surgery

TexFlex flexible spending accounts (FSAs), FY17

ERS offers four tax-advantaged savings options through TexFlex

Health Care Reimbursement	Limited Purpose Health Care	Dependent Care Reimbursement	Commuter Reimbursement
§125 Reimbursement Plan	§125 Reimbursement Plan	§125 Reimbursement Plan	§125 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 Qualified transit benefit: $255 monthly
Examples of eligible expenses include: • Copays • Dental expenses • Eyeglasses/Lasik/contacts • Medical supplies • Some OTC products	Available to Consumer Directed HealthSelect℠ participants for eligible: • Vision expenses • Dental expenses	Eligible expenses: • Day-care expenses for eligible dependent children or adults	Eligible expenses, parking: • Parking* Eligible expenses, transit: • Mass transit* • Vanpool*
$500 allowable carry-over	$500 allowable carryover	Eligible for grace period	Not subject to forfeiture
Subject to forfeiture	Subject to forfeiture	Subject to forfeiture	
Enrollment: 50,031	Enrollment: 59	Enrollment: 3,785	Enrollment: 301

*commuting to and/or from work

Optional life and accidental death and dismemberment (AD&D) insurance

When hired, an employee may choose Optional Group Term Life Insurance at one or two times annual salary without evidence of insurability (EOI). An election at three or four times annual salary requires EOI. The combined amount of this insurance may not exceed $400,000 with a corresponding amount of AD&D coverage.

This insurance is also available to retirees, subject to maximum amounts based on retirement date. At age 70, Optional Term Life coverage is reduced for all members based on age. Retirees can choose a $10,000 Fixed Optional Life Insurance plan instead of a term life plan.

Age 70-74	65%
Age 75-79	40%
Age 80-84	25%
Age 85-89	15%
Age 90 and over	10%

*Employees who elect GBP health coverage are automatically enrolled in $5,000 Basic Group Term Life Insurance and $5,000 Basic AD&D coverage. Each participating retired employee in the GBP is automatically enrolled in $2,500 Basic Group Term Life Insurance. AD&D coverage is not available to retired employees.

Dependent Term Life Insurance with AD&D coverage

Employees may purchase $5,000 of Dependent Group Term Life Insurance and $5,000 of AD&D for each listed eligible dependent. Participating retirees may retain $2,500 of Dependent Group Term Life Insurance, as long as they retire with an active policy. The AD&D coverage is not available for dependents of retired employees.

Voluntary Accidental Death & Dismemberment Insurance

Available only to active employees and their dependents, Voluntary Accidental Death & Dismemberment (AD&D) Insurance is available in incremental amounts up to $200,000. Optional Group Term Life Insurance coverage is not required to enroll in Voluntary AD&D.

Disability Insurance

Texas Income Protection Plan℠ is optional insurance coverage for short-term disability and long-term disability. These types of coverage can increase an employee's financial security and assist an employee and his or her family through a period without the employee's salary income.

Whom Do We Serve?

...about our members

Who can enroll in the GBP?

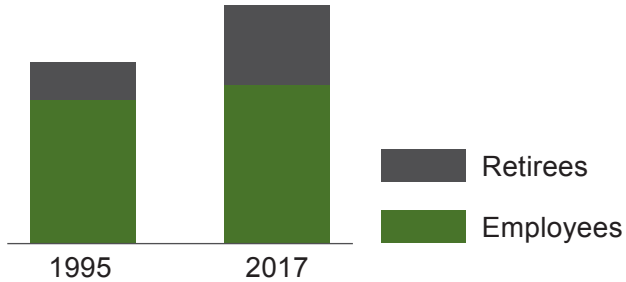
The GBP provides health insurance coverage for more than half a million employees, retirees and eligible family members for state agencies and public institutions of higher education (except The University of Texas and Texas A&M University systems).

- The retiree population has grown 163% since 1995.
- The average age of a GBP member is 47.
- About one-third work in higher education.

GBP member enrollment

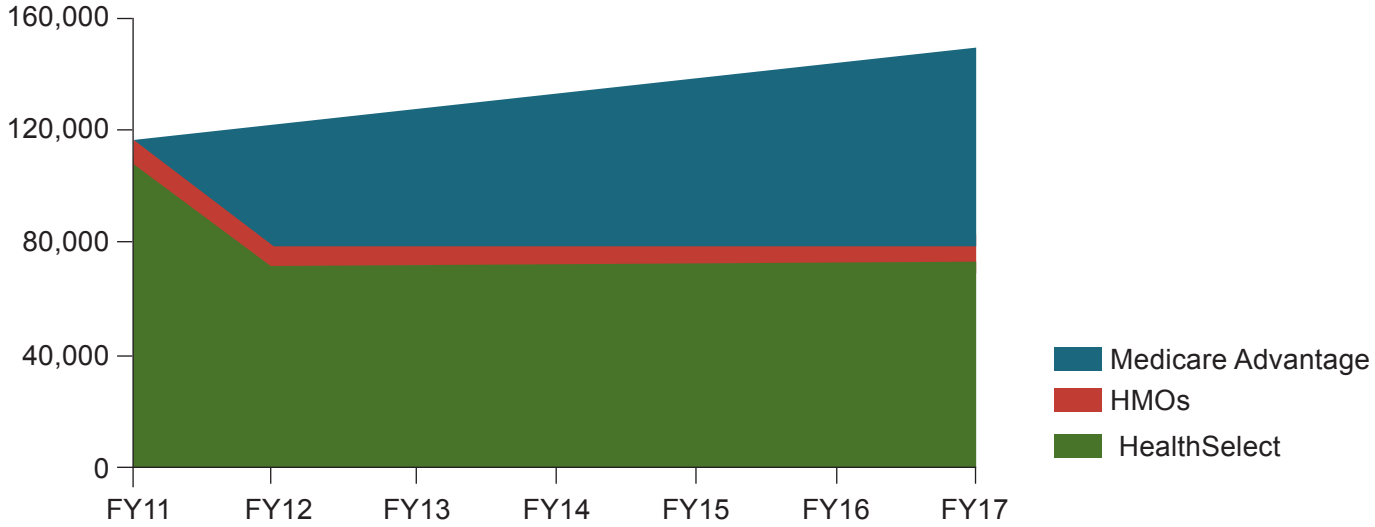
(not including dependents)

	1995	2017	% Change
Employees	209,026	214,592	3%
Retirees	41,556	109,446	163%
Total	250,582	324,038	29%



Enrollment growth is almost entirely due to an increasing number of retirees

Retiree enrollment has shifted to Medicare Advantage since FY12



Retirees choosing MA plans saved $50 million in dependent premiums in FY17

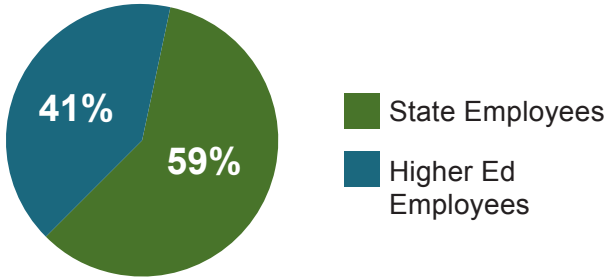
The GBP insurance population is aging

	Active Employees	Pre-65 Retirees	65+ Retirees	All Members[1]
Total Number	214,019	34,028	75,300	323,347
Average Member Age	45 years	59 years	74 years	53 years
Average Dependent Age	25 years	37 years	67 years	28 years
% Who Enroll Dependents	37%	31%	25%	34%
Gender	57% female 43% male	54% female 46% male	52% female 48% male	56% female 44% male
Tenure	9 years	25 years	21 years	14 years
Place of Employment	68% state 32% higher ed	83% state 17% higher ed	70% state 30% higher ed	71% state 29% higher ed

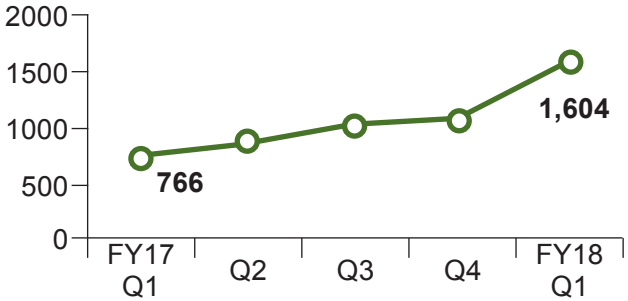
[1]Table includes employees and retirees only. It does not include dependents, survivors, COBRA or other miscellaneous groups.

Characteristics of Consumer Directed HealthSelect enrollees

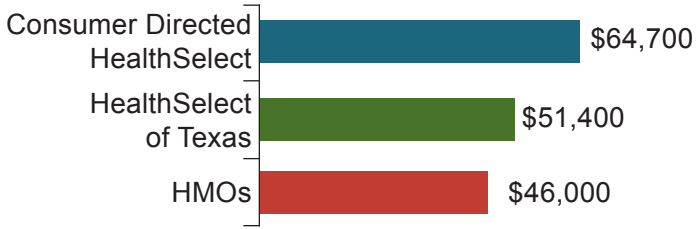
- 1,604 participants as of November 30, 2017
- 41% are higher ed employees, compared to 32% in other GBP health plans
- 48% male, compared to 43% in other plans
- 41 years old, compared to 47 years in other plans



Enrollment in Consumer Directed HealthSelect has more than doubled

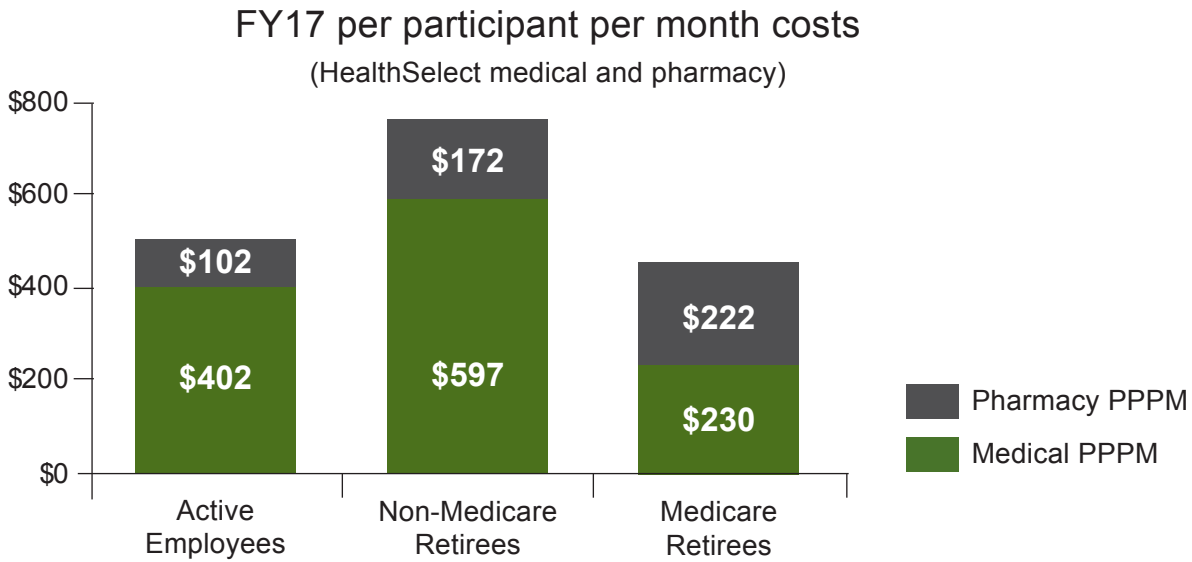


Consumer Directed HealthSelect enrollees earn $13,000 a year more than HealthSelect of Texas enrollees



Non-Medicare retirees are the costliest to the HealthSelect plan

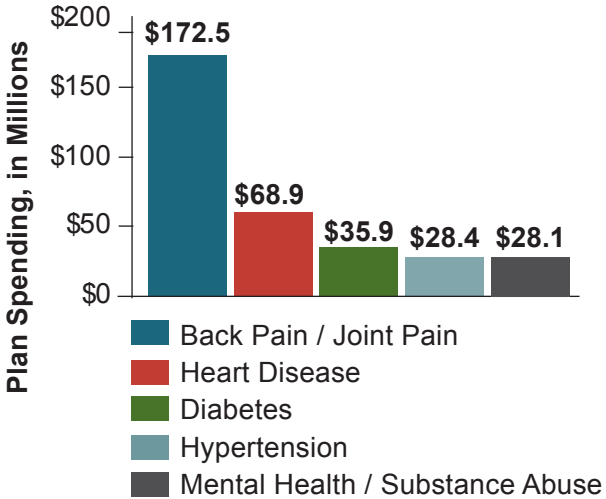
- Prescription drug costs are highest among Medicare retirees.
- Seven out of 10 of the highest-cost HealthSelect claims are for dependents.



Back and joint pain is the most expensive chronic condition

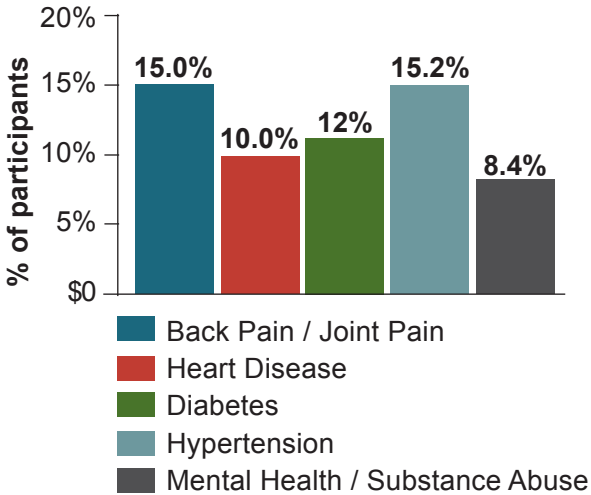
Medical spending on top 5 chronic conditions[1]

Non-Medicare primary participants HealthSelect, FY17



Prevalence of top 5 chronic conditions[1]

Non-Medicare primary participants HealthSelect, FY17



[1]Plan spending on medical claims only; pharmacy claims not included because diagnostic codes are not currently associated with prescription drug data. Participants are counted in each category for which they had a medical claim. Some participants may appear in more than one category

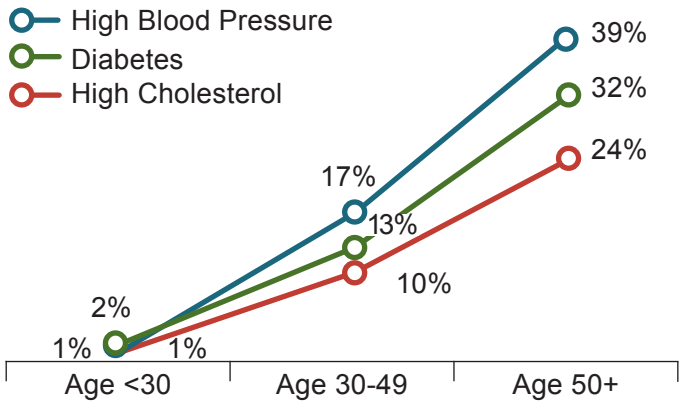
ERS invested heavily in a pre-diabetes prevention program in FY17

With age, the risk increases for common chronic conditions such as high blood pressure, high cholesterol and diabetes. Without treatment, diabetes can lead to higher costs later.

Primary-condition diabetics have 44% more emergency room visits and 110% more inpatient admissions. They have longer hospital stays and more hospital readmissions.

One in three HealthSelect participants age 50 plus has diabetes

(non-Medicare primary population FY17)



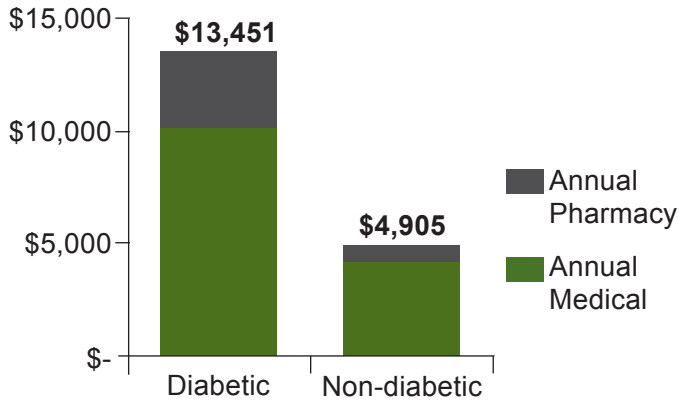
HealthSelect paid $878 million in claims for diabetics in FY17

Twelve percent of HealthSelect participants have diabetes, but spending on this group represents 34% of all HealthSelect costs

This includes all medical and pharmacy costs for all health conditions for this group, not just for diabetes

Antidiabetic therapeutic class is the fastest growing class of medications prescribed to HealthSelect participants

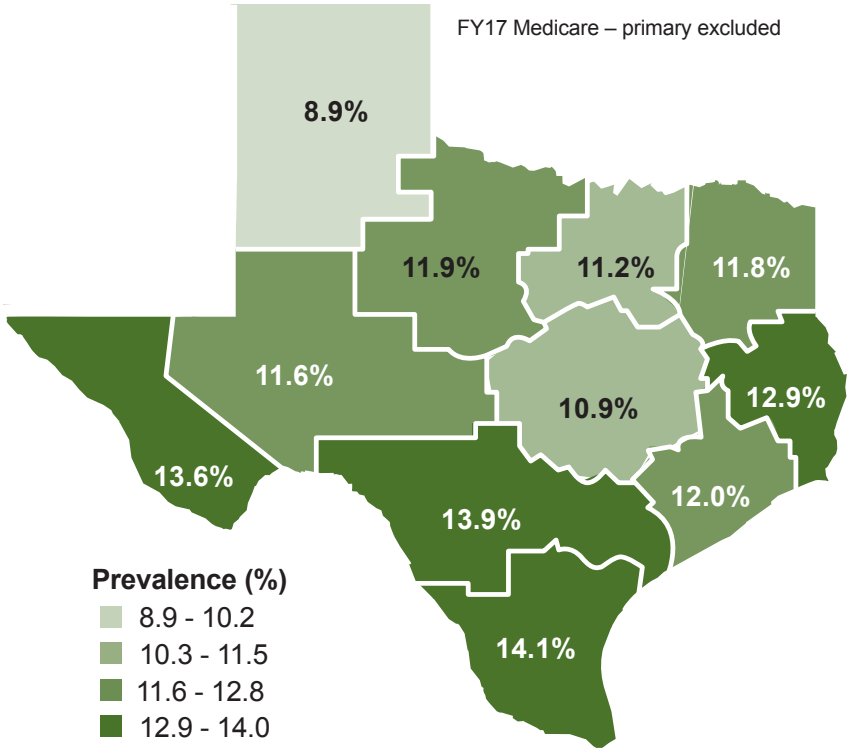
HealthSelect spent an extra $8,546 a year for a diabetic, compared to a non-diabetic in FY17



South Texas participants have higher rates of diabetes

Four state agencies in particular, have higher than average diabetes prevalence:

- Health and Human Services Commission
- Texas Department of Aging and Disability Services
- Texas Department of Criminal Justice
- Texas Department of State Health Services



...about the marketplace

Projected annual health care cost trend for FY18-19 is 6.7%

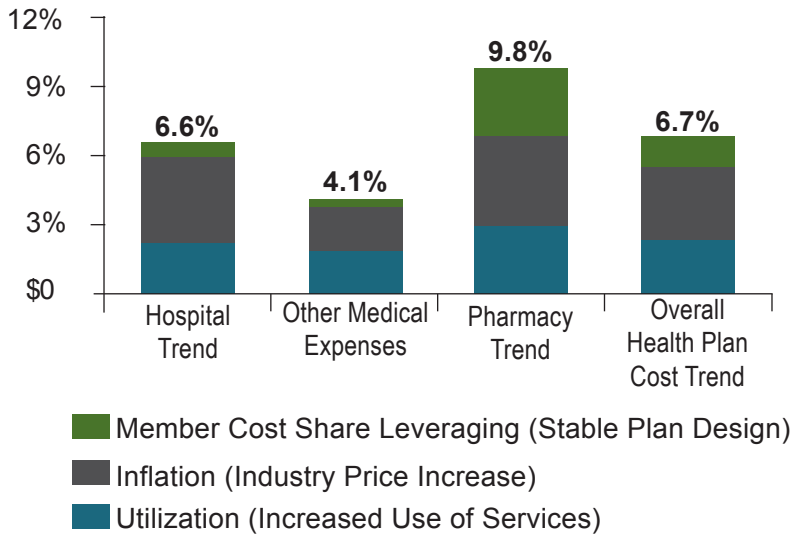
The major components of the benefit cost trend are increases in:

- utilization, driven by how often members use services;
- inflation, driven by provider price increases and more complex care (also known as service intensity); and
- member cost-share leveraging, driven by the plan paying more while member copays stay the same.

These cost drivers are common to all plans, not just HealthSelect

Industry price increases continue to be the primary cost driver

(projected HealthSelect benefit cost trends, FY18-19)



Price inflation is driving costs in the health plan

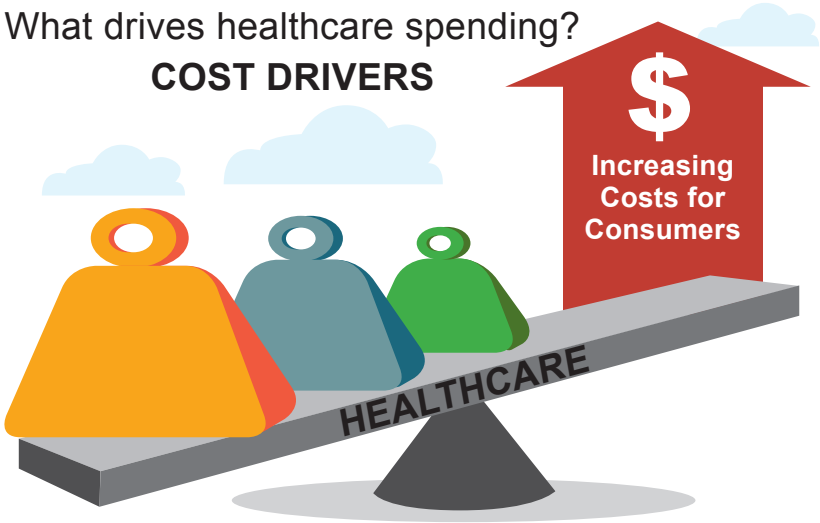
More than any other factor, price inflation is the most significant driver of health insurance costs in America.

This is seen when providers demand higher rates to treat insured patients, or drug manufacturers hike up the price of a popular drug.

Every employer who provides insurance is facing the same challenge. Rising prices in Texas mean higher costs, for the state and for employees and retirees.

What drives healthcare spending?

COST DRIVERS



RISING PRICES
- Market Power
- Medical Tech Advances
- Prescription Drug Costs

UNNECESSARY SERVICES
- Medical Harm
- Waste

LIFESTYLE FACTORS
- Chronic Diseases
- Obesity
- Smoking

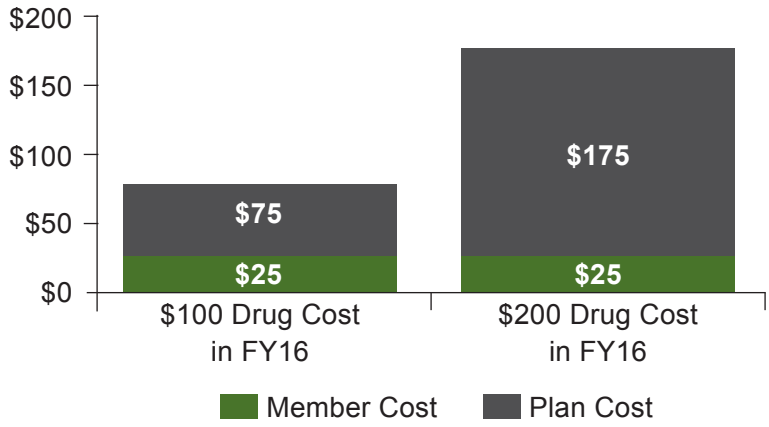
Why does member cost-share leveraging raise plan costs?

When costs increase and member copays are flat, the plan always picks up the difference.

So, an increase of $100 in the price of a drug will cost the plan an extra $100, while the member continues to pay $25.

The same formula applies to medical services that require copays, such as doctor visits. Over time, these transactions add up.

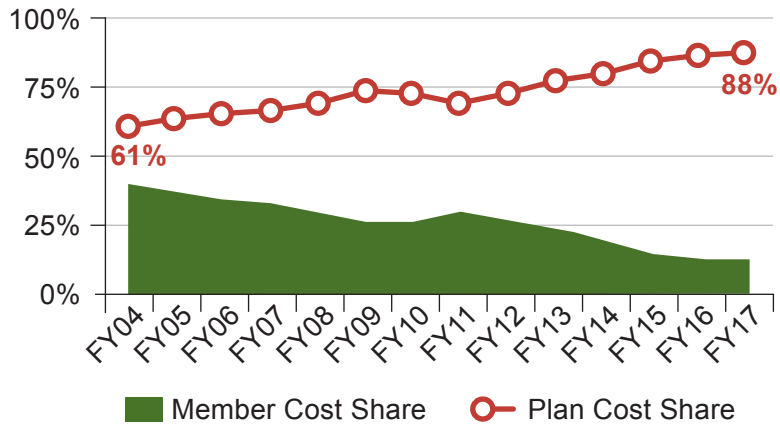
Example of member cost-share leveraging



Flat member costs for prescription drugs have increased costs to the plan

The impact of cost-share leveraging is especially clear in the drug plan, where the member's share of the cost has dropped from 39% of the total cost in FY04, to 12% of the total cost in FY17.

Plan cost share for prescription drugs increased to 88%, up from 61% in FY04

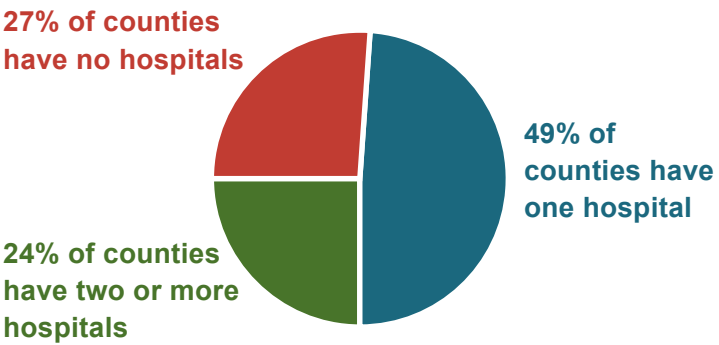


Hospital spending represents 48% of HealthSelect costs

ERS spent more than a billion dollars in FY17 on hospital costs, including emergency rooms and inpatient and outpatient facilities. Consolidations and mergers of hospital systems have reduced capacity and diminished competition, impacting GBP negotiating power in the marketplace.

Only 24% of Texas counties have a competitive choice among hospitals

HealthSelect FY17

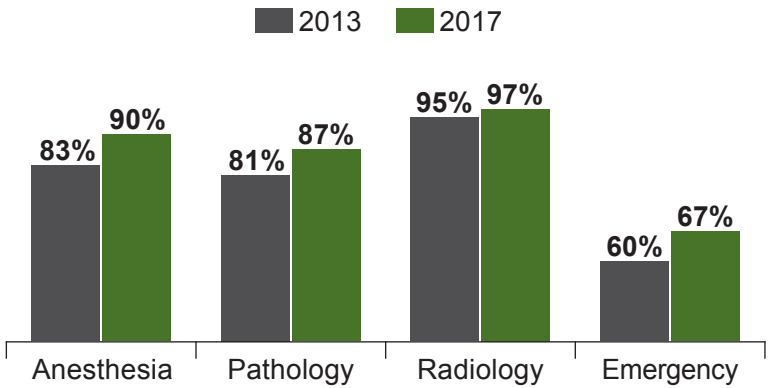


Hospital-based provider arrangements can be difficult

Multiple contracting arrangements are often required, including between the hospital and physician groups. While HealthSelect has made contracting inroads with anesthesiologists and pathologists, emergency room physician groups contract less often (as is experienced throughout the industry), which can increase the risk for balance billing.

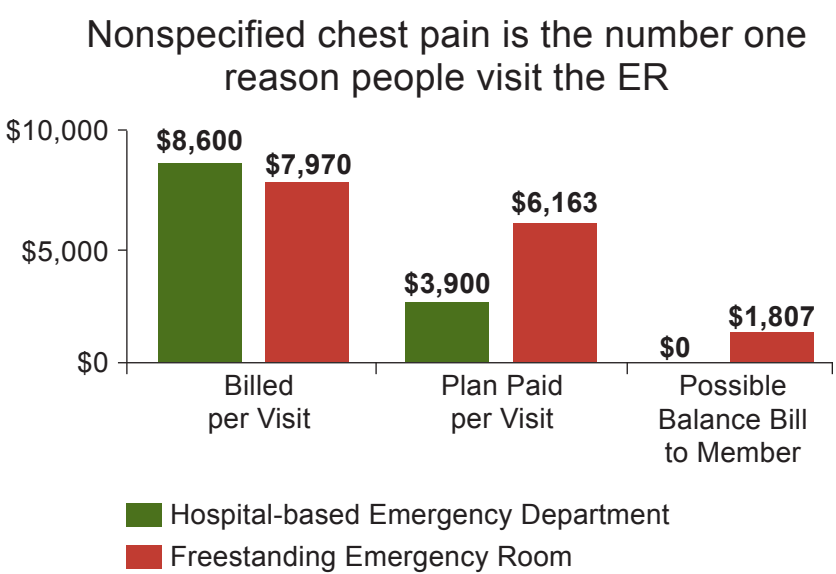
This is confusing for members who can't choose which doctor sees them in the emergency room. Even in an in-network hospital, you can still be seen by an out-of-network provider.

Percent of HealthSelect network hospitals with contracted hospital-based providers



Freestanding ERs: 15% more utilization and 34% higher costs

There are certainly appropriate times to seek care at an emergency room (ER), like chest pain (as noted in the chart). However, members often seek care for non-emergency conditions in an emergency-type facility, such as a freestanding ER. This is often the most expensive path to treating such cases and can lead to balance billing if the ER physician and/or facility is not in network. Encouraging members to seek appropriate care in appropriate in-network settings is critical to cost control and member savings.



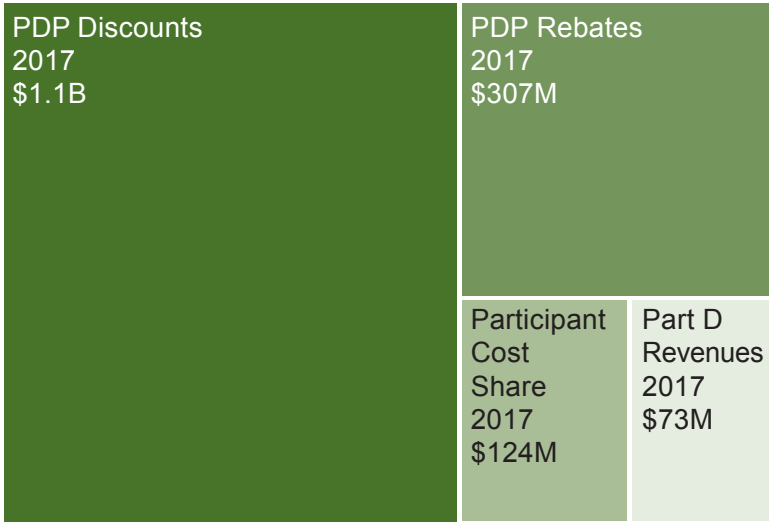
On September 1, 2017, ERS imposed a $300 copay on out-of-network freestanding ER visits, to encourage people to use in-network facilities.

...about prescription drug trends

The prescription drug plan (PDP) helps control costs in many ways

The new pharmacy benefit manager contracts through OptumRx and UnitedHealthcare, which started January 1, 2017, are projected to save the plan $1 billion over the next six years through improved drug discounts and rebates, as well as formulary management and increased generic utilization.

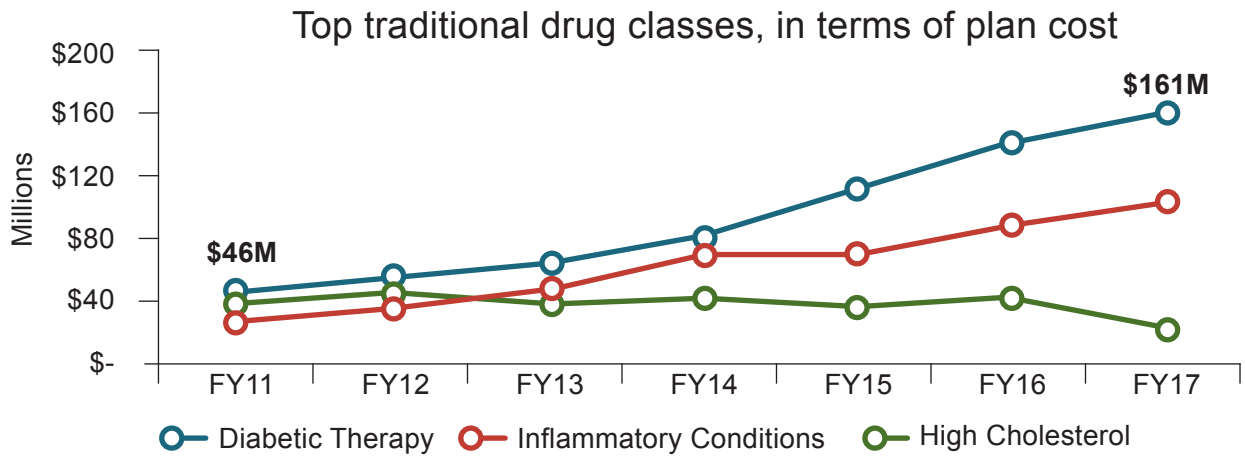
OptumRx and UnitedHealthcare are managing drug benefits for HealthSelect and HealthSelect Medicare Rx, respectively.



The diabetic therapy class is the fastest growing

Factors driving increases include:

- Increased drug prices and utilization
- Pre-filled injection pens to treat diabetes
- Increased diagnoses of pre-diabetic and diabetic conditions

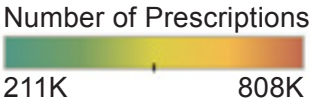


The top 10 traditional drugs accounted for 16% of the plan's FY17 drug spend (up from 14% in FY16)

Drug Name	Therapy Class	FY17 Plan Cost (in millions)	FY17 Rank (by traditional drug cost)	FY16 Plan Cost (in millions)	FY16 Rank (by traditional drug cost)
Lantus	Diabetes	$22.0	1	$22.3	2
Victoza	Diabetes	$21.5	2	$17.4	3
Humalog	Diabetes	$18.3	3	$1.6	10
Lyrica	Neurological disorders	$15.0	4	$13.6	4
Cialis	Prostate hyperplasia; Impotence agent	$14.3	5	$10.1	7
Januvia	Diabetes	$14.2	6	$12.3	5
Advair	Asthma	$11.7	7	$11.3	6
Trulicity	Diabetes	$10.4	8	$4.8	9
Novolog	Diabetes	$10.2	9	$24.8	1
Xarelto	Anticoagulant	$10.0	10	$8.2	8

More prescriptions were dispensed for high blood pressure than for any other therapeutic category

Therapeutic Use	FY13	FY14	FY15	FY16	FY17
Inflammatory Conditions					
Diabetes					
High Blood Pressure					
High Cholesterol					



The "red zone" on the heat map indicates a higher number of prescriptions for high blood pressure

However, the plan spent more on diabetes drugs, in part because of the many generic drug options for high blood pressure

Therapeutic Use	FY13	FY14	FY15	FY16	FY17
Inflammatory Conditions					
Diabetes					
High Blood Pressure					
High Cholesterol					

Plan Payment

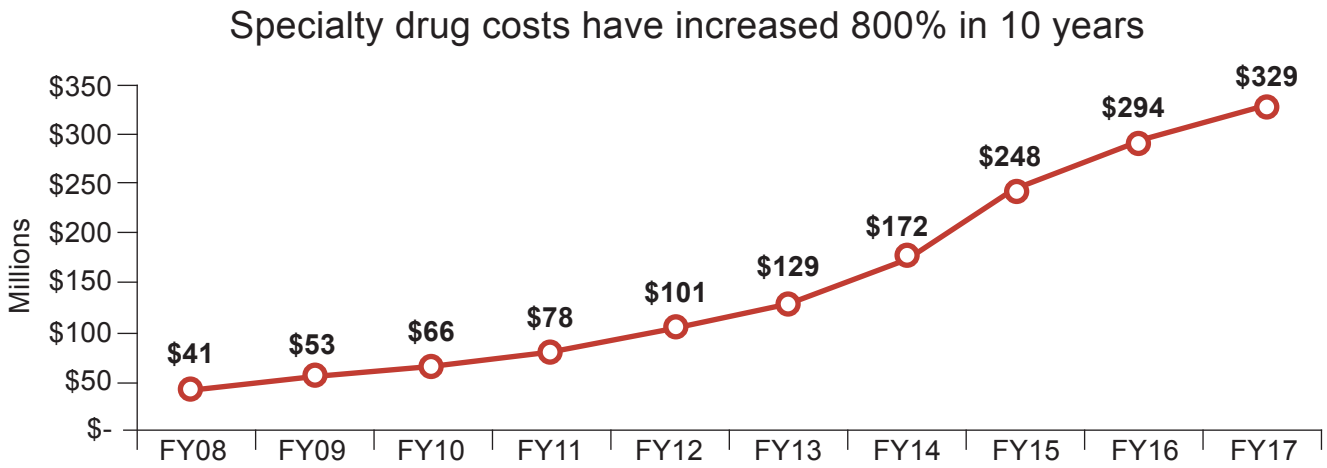
$15M $161M

The “red zone” on the heat map indicates higher spending for diabetes drugs

Specialty drugs represent less than 1% of the prescriptions written and 36% of total drug spend

Specialty drugs are expensive medications prescribed for chronic and/or life-threatening conditions. They often require special storage and handling and involve significant patient monitoring and management.

The plan paid $329 million in FY17 for about 78,000 specialty claims.

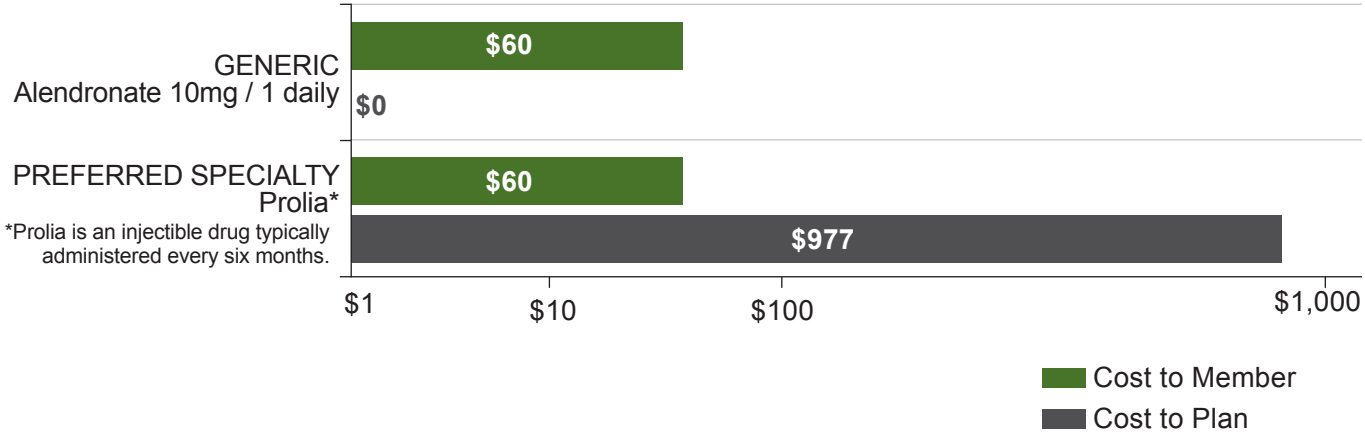


The top 10 specialty drugs accounted for 16% of plan's FY17 drug spend (up from 15% in FY16)

Drug Name	Therapy Class	FY17 Plan Cost (in millions)	FY17 Rank (by specialty drug cost)	FY16 Plan Cost (in millions)	FY16 Rank (by specialty drug cost)
Humira	Inflammatory conditions	$51.9	1	$42.5	1
Enbrel	Inflammatory conditions	$27.1	2	$26.3	2
Revlimid	Oncology	$12.0	3	$10.6	5
Harvoni	Hepatitis C	$10.6	4	$17.7	3
Copaxone	Multiple sclerosis	$10.3	5	$11.0	4
Forteo	Osteoporosis	$7.6	6	$5.9	8
Stelara	Inflammatory conditions	$7.4	7	$5.9	9
Ibrance	Oncology	$7.1	8	$4.0	10
Xyrem	Central nervous system depressant	$7.0	9	$6.0	7
Tecfidera	Multiple sclerosis	$6.8	10	$7.5	6

Generic drugs control costs to the plan

Two osteoporosis medications, six-month supply, retail

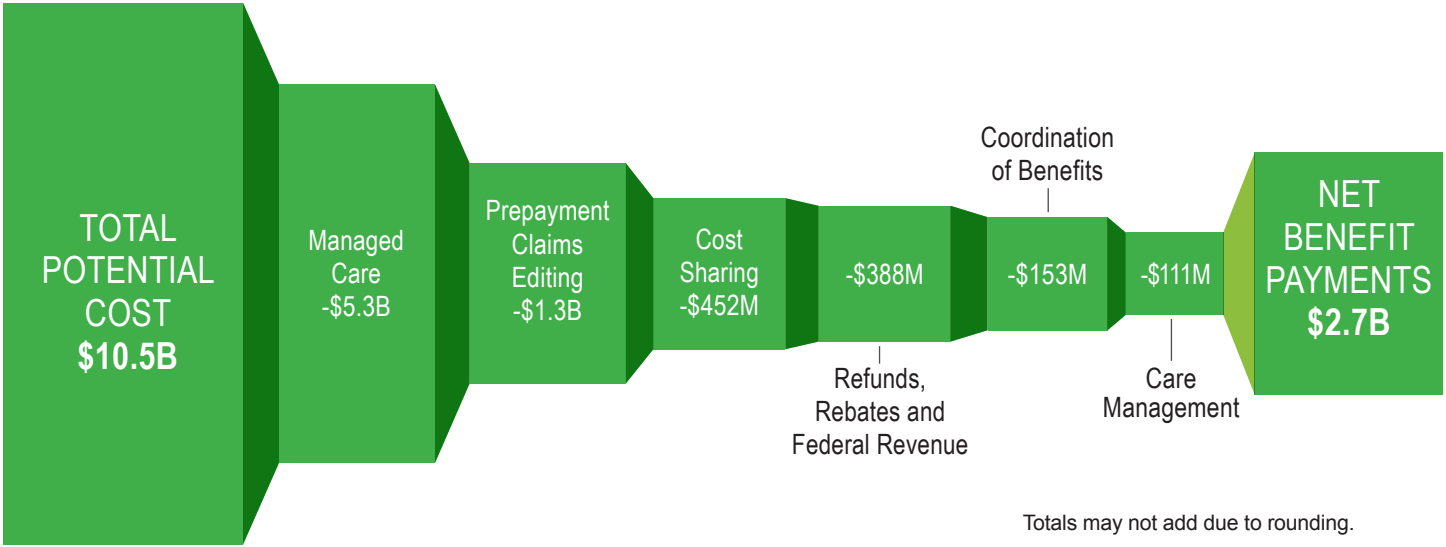


...about our strategies

Reduced plan cost of $7.8 billion in FY17

Employee health insurance is a significant expense for the State of Texas – nearly $3 billion a year – so it's important to get the most out of every dollar.

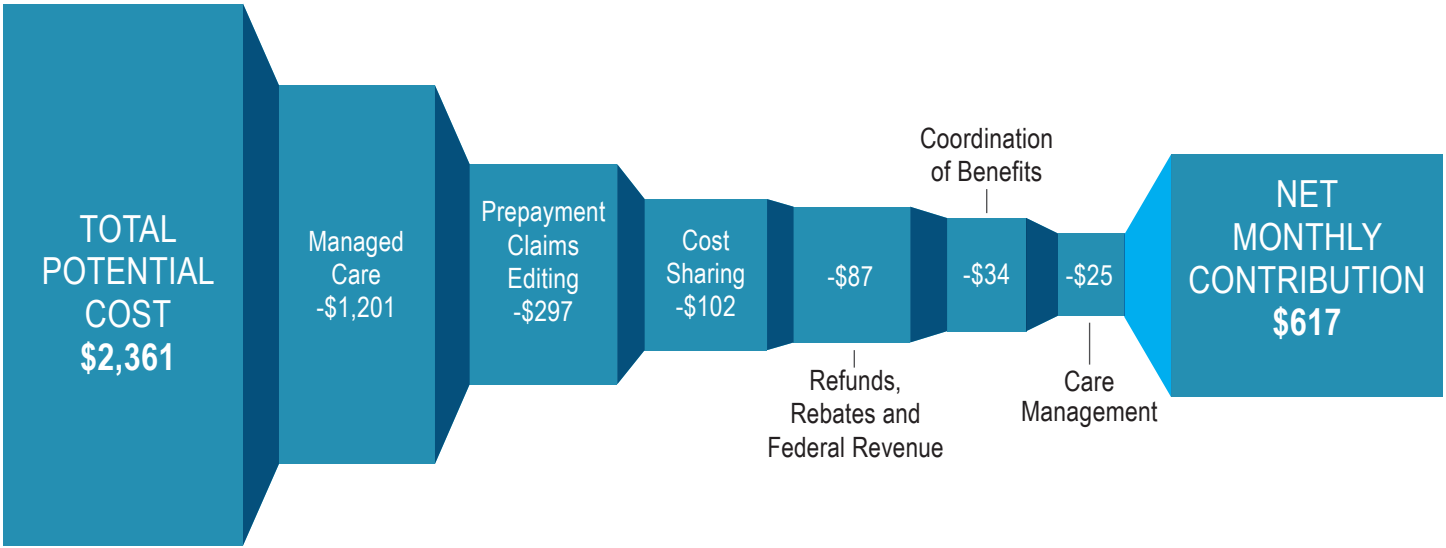
ERS staff professionally manages GBP benefit plans, setting and enforcing high performance standards to slow the benefit cost trend.



Totals may not add due to rounding.

Without cost management, the member rate would triple

In FY17, the member-only contribution rate was $615 per month. Without cost management programs, the member-only rate would have been more than $2,300 per month.



Totals may not add due to rounding.

GBP cost management and cost containment detail

1. Considered Charges Plus Estimated Cost Avoided			$10,483,877,090
2. Estimated Cost Avoided			
a. Medical	$	92,586,657	
b. Pharmacy		17,986,004	110,572,661
3. Considered Charges			$10,373,304,430
4. Less Ineligible Charges (Prepayment Claims Editing)			($1,318,438,100)
5. Eligible Charges			$9,054,866,330
6. Less Reductions to Eligible Charges			
a. PDP Charge Reductions	$	1,100,667,362	
b. Provider Discounts and Reductions		4,230,372,709	
c. Medical Copayments and Deductibles		116,562,929	
d. Medical Coinsurance		210,698,030	
e. PDP Cost Sharing		124,454,161	
f. Coordination of Benefits - Medical - Regular		21,725,116	
g. Coordination of Benefits - Medical - Medicare		130,736,003	
h. Coordination of Benefits - PDP		386,803	(5,935,603,113)

7. Gross Benefit Payments			$3,119,263,217
8. Refunds, Rebates and Federal Revenue			
a. PDP Rebates	$	306,912,032	
b. Federal Revenues - Medicare Part D		73,120,123	
c. Subrogation		7,276,535	
d. Pharmacy Audit Refunds		542,953	
e. PBM Audit Refunds		382,796	(388,234,439)
9. Net Benefit Payments			$2,731,028,778

*Amounts taken from:

(1) Annual Statistical Review prepared by UnitedHealthcare

(2) Annual Experience Accounting prepared by Caremark and SilverScript

(3) HealthSelect Prescription Drug Plan data

(4) ERS FY17 Comprehensive Annual Financial Report (Federal Revenues)

Utilization and care management programs avoided $110 million in plan costs

Line 2: Utilization management avoids costs through clinical programs for high-risk patients.

1. Considered charges plus estimated cost	**$10,483,877,090**
2. Estimated cost avoided due to utilization and care management	**(-110,572,661)**
3. Considered charges minus cost avoided	**$10,373,304,430**

For example, redirecting transplant surgeries to Centers of Excellence — high-performing facilities that treat complex medical conditions with higher success rates, fewer complications, faster recoveries and lower costs — saved nearly $20 million in FY17.

Prepayment claims editing prevented $1.3 billion in payments

Line 4: Prepayment claims editing

Prepayment claims editing is an essential part of the fraud and abuse prevention program.

This process weeds out duplicate claims, eliminates charges that exceed benefit limits, and ensures that HealthSelect doesn't pay for services that are not medically necessary.

1. Considered charges plus estimated cost	**$10,373,304,430**
4. Less charges eliminated through prepayment claims editing	**(1,318,438,100)**
5. Eligible charges	**$9,054,866,330**

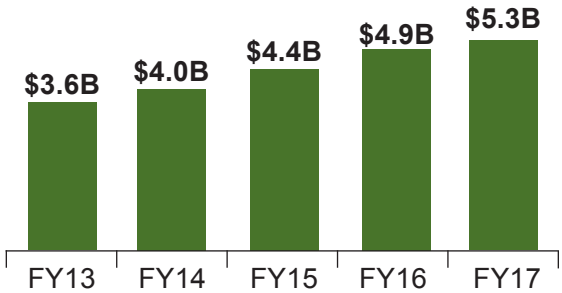
The state saved $5.3 billion with negotiated provider discounts

Lines 6a and 6b: Managed care savings

ERS leverages its power in the marketplace by negotiating for discounts off the ”retail” prices that would have been charged for services without a managed care network.

Managed care savings	
6a. Prescription drug program charge reductions	($1,100,667,362)
6b. Medical provider discounts and reductions	($4,230,372,709)
Subtotal	**($5,331,040,071)**

Managed care discounts saved the state $22 billion over five years



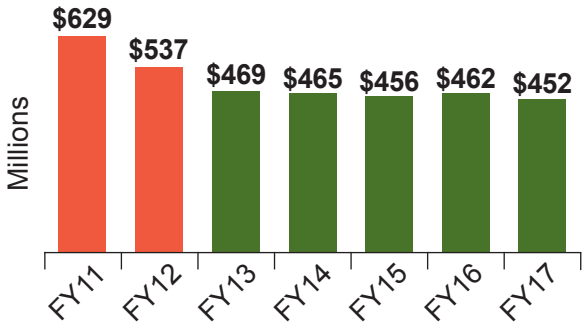
Participant cost-sharing reduces costs to the state

Lines 6c-6e: Participant cost-sharing

Cost-sharing encourages people to take an increased role in managing their own heath and their out-of-pocket costs. HealthSelect pays 100% of all preventive care services.

Participant cost-sharing savings	
6c. Medical copayments and deductibles	($116,562,929)
6d. Medical coinsurance	($210,698,030)
6e. PDP cost-sharing	($124,454,161)
Subtotal	**($451,715,121)**

The member's out-of-pocket cost has remained steady for several years



The plan saved $153 million by coordinating benefits

Lines 6f-6h: Coordination of benefits

- When a participant has another source of health insurance, ERS coordinates benefits with the other payer to ensure that costs are shared appropriately.
- For example, when retirees are eligible for Medicare, GBP benefits become secondary, meaning HealthSelect only pays eligible medical expenses after Medicare processes the claim.

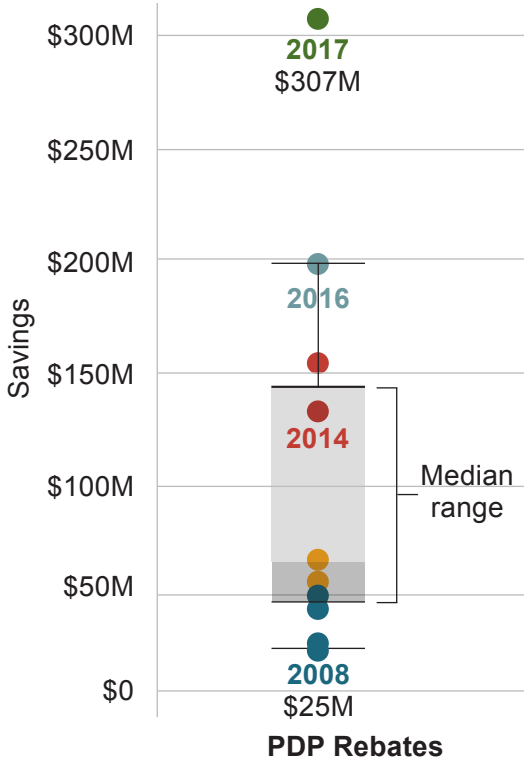
Coordination of benefits savings	
6f. Coordination of benefits - medical – regular	($21,725,116)
6g. Coordination of benefits - medical – Medicare	($130,736,003)
6h. Coordination of Benefits - PDP	($386,803)
Subtotal	**($152,847,921)**

ERS saved $307 million through drug rebates in FY17

Line 8a: Prescription drug program rebates

- FY17 drug rebates far exceeded previous years.
- Through arrangements with drug manufacturers, the HealthSelect PBM receives rebates based on the volume of various drugs dispensed under its programs.
- The PBM contract requires the PBM to return 100% of all rebates to the GBP, with a guaranteed minimum.

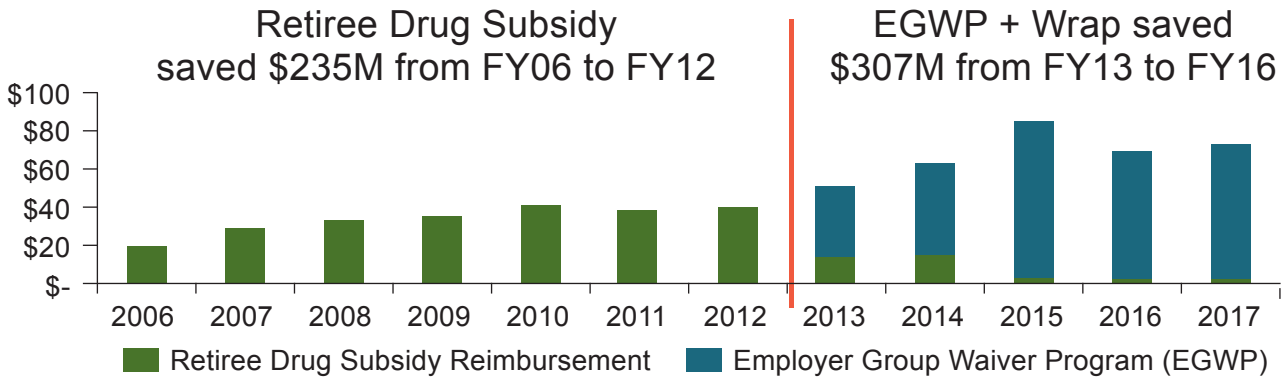
Drug rebate savings	
8a. PDP rebates	($306,912,032)
Subtotal	**($306,912,032)**



ERS more than doubled Medicare Part D revenues since implementing the EGWP + Wrap program

Line 8b: Federal revenues

Medicare Part D savings	
8b. Federal revenues – Medicare Part D	($73,120,123)
Subtotal	**($73,120,123)**



The plan has collected $578 million in Medicare Part D revenues since 2006

ERS protects Medicare participants by offering a ‘wraparound’ plan that pays costs that Medicare doesn’t cover

ERS saved $8.2 million through subrogation and audit refunds

Line 8c: Subrogation

- Recovery of health expenses through third parties found liable for negligence (such as personal injury lawsuits)

Lines 8d-8e: Audit refunds

- Recovery of funds through a sophisticated set of programs and procedures to deter and identify fraudulent behavior, and to ensure that 100% of all drug manufacturer rebate dollars are returned to the plan

Subrogation and audit refund savings	
8c. Subrogation	($7,276,535)
8d. Pharmacy audit refunds	($542,953)
8e. PBM audit refunds	($382,796)
Subtotal	**($8,202,284)**

Fraud investigations are an ongoing focus for all plans

The Fraud, Waste, Abuse and Error (FWAE) team for the HealthSelect TPA watches claims and investigates tips from members, providers and others to safeguard the system and detect and prevent fraud.

The team identifies suspect providers and denies or recovers dollars for non-covered services based on a medical claims review. They also use an Advanced Analytics Lab to watch claims pre- and post-payment for suspect activity.

In 2017, the FWAE team identified a number of incidents in which family members acting as personal care assistants (PCAs) were billing for services rendered when the PCA was traveling. The FWAE team also identified a PCA who was forging time sheets over many months, identified by the fact that the family member's signature was identical (that is, photocopied) on every time sheet.

...about our program oversight

All contracts have performance guarantees that must be met

A performance guarantee assessment and/or liquidated damages are triggered when a vendor fails to meet certain conditions.

The monetary value of a performance guarantee assessment depends on the severity of the violation. In some cases, ERS may waive the assessment if, for instance:

- the severity of the missed performance guarantee was minor,
- the issue had minimal or no participant impact,
- the TPA/insurer responded quickly to resolve the issue and/or
- ERS shared some responsibility in the issue.

Any instance of a missed performance metric requires the TPA/insurer to supply a corrective action plan for ERS' review and approval.

Performance guarantee criteria

Level of Severity	Definition	Allocation of Amount at Risk
Severity 1 – Emergency	Mission-critical systems are down, there is a substantial loss of service, business operations have been severely disrupted, or a major milestone has not been met. In each situation, no immediate work-around that is acceptable to ERS is available.	50% of the aggregate annual amount at risk for each occurrence
Severity 2 – Critical	A major functionality is severely impaired. Operations can continue in a restricted fashion; however, client and/or member services are adversely affected.	25% of aggregate annual amount at risk for each occurrence
Severity 3 – Moderate	Business operations have been adversely impaired in a moderate manner. A temporary work-around that is acceptable to ERS is immediately available.	• Occurrence 1 = 3% of aggregate annual amount at risk • Occurrence 2 = 5% of aggregate annual amount at risk • Occurrence 3 = 6% of aggregate annual amount at risk • Occurrence 4 = 9% of aggregate annual amount at risk
Severity 4 – Minor	Business operations have been adversely affected in a limited manner requiring a modification of current policies and/or processes.	2% of aggregate annual amount at risk for each occurrence

Contract monitoring – performance guarantee overview

Plan Name	Reporting Period	TPA/Insurer	Major Service Categories	PG Determination	
				Waiver	Assessment
HealthSelect℠ of Texas	FY17	UnitedHealthcare	Communication materials	$ -	$54,817
			Process files accurately and timely	$1,370,432*	$ - *
			Communication materials	$ -	$54,817
			Written notice of change	$82,226	$ -
HealthSelect Prescription Drug Program	FY17	OptumRx	Communication materials	$ -	$4,300
			Program reporting	$ -	$17,202
			Program reporting	$ -	$12,901
HealthSelect℠ Medicare Advantage	CY16	Humana Insurance Company	Communication materials	$20,000	$ -
			Notification of file transaction errors	$30,000	$ -
			Resolution of file transaction errors timely, accurately	$ -	$250,000
HealthSelect Medicare Rx	CY16	SilverScript Insurance Company	Average speed of answer (ASA)	$ -	$25,000
			Claims adjudication	$ 37,500	$ -

*ERS did not deliver an eligibility file on time, which caused a delay in UnitedHealthcare loading and delivering current medical and pharmacy files.

Contract monitoring – performance guarantee overview

Plan Name	Reporting Period	TPA	Major Service Categories	PG Determination	
				Waiver	Assessment
State of Texas Vision	FY17	Superior Vision	Program reporting	$ -	$4,000
			Annual enrollment	$ -	$4,000
			Resolve file or transaction errors timely, accurately	$6,000	$ -
			Claims adjudication	$72,000	$64,000
			Claims adjudication	$ -	$64,000
Texas Income Protection Program	FY17	ReedGroup	Claims processing: financial accuracy	$ -	$18,300
			Claims processing: financial accuracy	$ -	$30,500
			Program reporting	$ -	$1,200
TexFlex	FY17	ADP / WageWorks	Participant satisfaction survey	$14,400	
			Written notice of change	$21,600	
			Process paper claim reimbursements		$21,600
			Average speed of answer (ASA)		$19,116
			ASA		$19,116
			Call blockage		$19,116

HealthSelect: UnitedHealthcare - FY17

Monthly Administrative Performance Report (MAPR) heat map summary – current as of December 13, 2017

	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%		

No applicable activity.	Performance met standards.	Performance did not meet standards; PG assessment waived.	Performance did not meet standards; not a PG metric.	Performance did not meet standards; PG assessment pending.	Performance did not meet; PG assessed and received.

HealthSelect: UnitedHealthcare - FY17 (continued)

Monthly Administrative Performance Report (MAPR) heat map summary – current as of December 13, 2017

	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
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%

No applicable activity.	Performance met standards.	Performance did not meet standards; PG assessment waived.	Performance did not meet standards; not a PG metric.	Performance did not meet standards; PG assessment pending.	Performance did not meet; PG assessed and received.

HealthSelect Medicare Advantage: Humana Insurance Company – CY16

Monthly Administrative Performance Report (MAPR) heat map summary – current as of December 13, 2017

	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	Notice of Operational 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%
	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%
	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%
	Program reporting	Monthly										100%	100%	
CUSTOMER 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%	
OPERATIONS	Adherence to CMS program parameters	Monthly	99.0%	99.0%	99.0%	99.0%	99.3%	99.3%	99.0%	99.3%	99.3%	99.4%	99.1%	99.3%
	Manage ID card mail-outs	Quarterly		100.0%			100.0%			100.0%			100.0%	
SYSTEMS & DATA MANAGEMENT	Process files accurately and timely	Any Incident	100%	100%	100%	100%	100%	100%	100%	100%	100%	<100%	<100%	100%
	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%
	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%

No applicable activity.	Performance met standards.	Performance did not meet standards; PG assessment waived.	Performance did not meet standards; not a PG metric.	Performance did not meet standards; PG assessment pending.	Performance did not meet; PG assessed and received.

HealthSelect Prescription Drug Program: Caremark, OptumRx composite – FY17

Monthly Administrative Performance Report (MAPR) heat map summary – current as of December 13, 2017

	Description	Assessment Frequency	Caremark				OptumRx							
			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 Results							
	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%	<100%	<100%	<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%			100.0%		
	Answer calls within 30 seconds	Quarterly	96.3%			94.0%	87.8%		91.3%			87.6%		

No applicable activity.	Performance met standards.	Performance did not meet standards; PG assessment waived.	Performance did not meet standards; not a PG metric.	Performance did not meet standards; PG assessment pending.	Performance did not meet; PG assessed and received.

HealthSelect Prescription Drug Program: Caremark, OptumRx composite – FY17 (continued)

Monthly Administrative Performance Report (MAPR) heat map summary – current as of December 13, 2017

	Description	Assessment Frequency	Caremark				OptumRx							
			09-2016	10-2016	11-2016	12-2016	01-2017	02-2017	03-2017	04-2017	05-2017	06-2017	07-2017	08-2017
OPERATIONS	Claims adjudication: financial accuracy	Monthly	100.0%	100.0%	100.0%	100.0%	99.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Claims adjudication: 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%
	Paper claims processing: financial accuracy	Annually/Monthly	100.0%				100.0%	100.0%	100.0%	100.0%	96.4%	100.0%	100.0%	100.0%
	Paper claims processing: timeliness	Annually	100.0%				99.5%							
	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%				99.9%							
	Dispensing rate: protocol prescriptions	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%
	Dispensing rate: non-protocol prescriptions	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 (both initial and reissues)	Monthly	100.0%	100.0%	100.0%	100.0%								
	Manage ID card mail-outs: initial cards	Monthly					100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Manage ID card mail-outs: reissued cards	Monthly					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%	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	100.0%				100.0%							
	Ensure website availability	Annually	99.8%				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%
	System and code changes	Any Incident	100.0%	100.0%	100.0%	100.0%								

HealthSelect Medicare Rx: SilverScript – CY16

Monthly Administrative Performance Report (MAPR) heat map summary – current as of December 13, 2017

	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-fee 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%

HealthSelect Medicare Rx: SilverScript – CY16 (continued)

Monthly Administrative Performance Report (MAPR) heat map summary – current as of December 13, 2017

	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
SYSTEMS & 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%

No applicable activity.	Performance met standards.	Performance did not meet standards; PG assessment waived.	Performance did not meet standards; not a PG metric.	Performance did not meet standards; PG assessment pending.	Performance did not meet; PG assessed and received.

State of Texas Dental Choice: HumanaDental – FY17

Monthly Administrative Performance Report (MAPR) heat map summary – current as of December 13, 2017

	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%

State of Texas Dental Choice: HumanaDental – FY17 (continued)

Monthly Administrative Performance Report (MAPR) heat map summary – current as of December 13, 2017

	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
SYSTEMS & DATA MANAGEMENT	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%

No applicable activity.	Performance met standards.	Performance did not meet standards; PG assessment waived.	Performance did not meet standards; not a PG metric.	Performance did not meet standards; PG assessment pending.	Performance did not meet; PG assessed and received.

Dental HMO: HumanaDental Insurance Company – FY17

Monthly Administrative Performance Report (MAPR) heat map summary – current as of December 13, 2017

	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%

No applicable activity.	Performance met standards.	Performance did not meet standards; PG assessment waived.	Performance did not meet standards; not a PG metric.	Performance did not meet standards; PG assessment pending.	Performance did not meet; PG assessed and received.

Dental HMO: HumanaDental Insurance Company – FY17 (continued)

Monthly Administrative Performance Report (MAPR) heat map summary – current as of December 13, 2017

	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
SYSTEMS & DATA MANAGEMENT	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%

No applicable activity.	Performance met standards.	Performance did not meet standards; PG assessment waived.	Performance did not meet standards; not a PG metric.	Performance did not meet standards; PG assessment pending.	Performance did not meet; PG assessed and received.

State of Texas Vision: Superior – FY17

Monthly Administrative Performance Report (MAPR) heat map summary – current as of December 13, 2017

	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%	66.7%	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%

No applicable activity.	Performance met standards.	Performance did not meet standards; PG assessment waived.	Performance did not meet standards; not a PG metric.	Performance did not meet standards; PG assessment pending.	Performance did not meet; PG assessed and received.

State of Texas Vision: Superior – FY17 (continued)

Monthly Administrative Performance Report (MAPR) heat map summary – current as of December 13, 2017

	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
SYSTEMS & 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	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%

No applicable activity.	Performance met standards.	Performance did not meet standards; PG assessment waived.	Performance did not meet standards; not a PG metric.	Performance did not meet standards; PG assessment pending.	Performance did not meet; PG assessed and received.

Texas Income Protection Plan disability insurance: ReedGroup – FY17

Monthly Administrative Performance Report (MAPR) heat map summary – current as of December 13, 2017

	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%

No applicable activity.	Performance met standards.	Performance did not meet standards; PG assessment waived.	Performance did not meet standards; not a PG metric.	Performance did not meet standards; PG assessment pending.	Performance did not meet; PG assessed and received.

Texas Income Protection Plan disability insurance: ReedGroup – FY17 (continued)

Monthly Administrative Performance Report (MAPR) heat map summary – current as of December 13, 2017

	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
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%
SYSTEMS & 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%

No applicable activity.	Performance met standards.	Performance did not meet standards; PG assessment waived.	Performance did not meet standards; not a PG metric.	Performance did not meet standards; PG assessment pending.	Performance did not meet; PG assessed and received.

TexFlex flexible spending accounts: WageWorks – FY17

Monthly Administrative Performance Report (MAPR) heat map summary – current as of December 13, 2017

	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%
SYSTEMS & 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%

The appeals process

For most GBP programs, a member's first action to appeal a coverage decision is made to the TPA responsible for administering the program under contract by ERS; this is referred to as the **First Internal Appeal** process. Appeal rights for various coverage issues are generally described in claims communications to the member from the TPA.

After a member has exhausted their appeal rights with the TPA, an eligible member may make an appeal to ERS directly for further review of an appeal related to coverage of a health care service or item already received ("post-service appeals") or of an appeal of the cancellation of coverage. This is referred to as the **Second Internal Appeal** process.

Review of grievance appeals regarding questions of allowable amount or eligible expense issues are reviewed by ERS' Benefit Contracts staff. All other eligible appeals to ERS must be considered by the **ERS Grievance Committee**, which includes staff from multiple agency business divisions, including: Benefit Contracts; Customer Benefits; Office of the General Counsel; and the Executive Office.

Second internal appeals to ERS

ERS does not hear appeals related to all benefit programs. Currently, participants may appeal to ERS regarding a decision denying payment in whole or in part within the following plans (most of which are self-funded):

- HealthSelect of Texas
- Consumer Directed HealthSelect
- HealthSelect Prescription Drug Program
- HealthSelect Medicare Rx
- State of Texas Dental Choice
- Life Insurance
- Accidental Death & Dismemberment Insurance
- Texas Income Protection Plan (short- and long-term disability insurance)

The Texas Insurance Code does not give ERS authority to review HMO and Medicare Advantage plan claims and benefit denials. This restriction also applies to the HumanaDental DHMO. Participants in these fully insured plans appeal to the insurer.

Second internal appeals to ERS

Since 2013, the number of appeals received by ERS has fluctuated considerably, and represents a small fraction of claims paid in a year. During the 2017 plan year, for instance, roughly 6.1 billion HealthSelect medical claims were paid on behalf of members and participants.

Second Internal Appeals to ERS									
Fiscal Year	Number of Grievances by Insurance Type								
	HealthSelect	EOI*	Disability	Life	Dental	TexFlex	Other**	Total	% Change
FY13	522	12	123	12	11	N/A	8	688	
FY14	319	3	36	7	15	N/A	1	381	-45%
FY15	239	4	18	9	12	N/A	1	283	-26%
FY16	403	3	11	8	9	N/A	0	434	53%
FY17	460	2	26	6	12	9	0	515	19%

*Evidence of insurability, the underwriting a vendor performs to determine if someone is eligible for insurance coverage
**Includes Premium Waiver, Accelerated Life and Exception Request grievances

Second internal appeals to ERS

The process for making a second internal appeal to ERS is currently being reviewed for changes that will increase member understanding of the appeals process and increase engagement in a second internal appeal to ERS.

These changes will include a **precedent manual** that will help document and guide the appeals process, as well as contribute to a member's understanding about the process. The manual will include precedent-establishing determinations made by the Board or executive director or other staff, initially and on appeal, and include examples of previous determinations that are consistent with the identified precedent. The Board of Trustees and staff involved in the claims appeal process will not be bound by a decision in the manual.

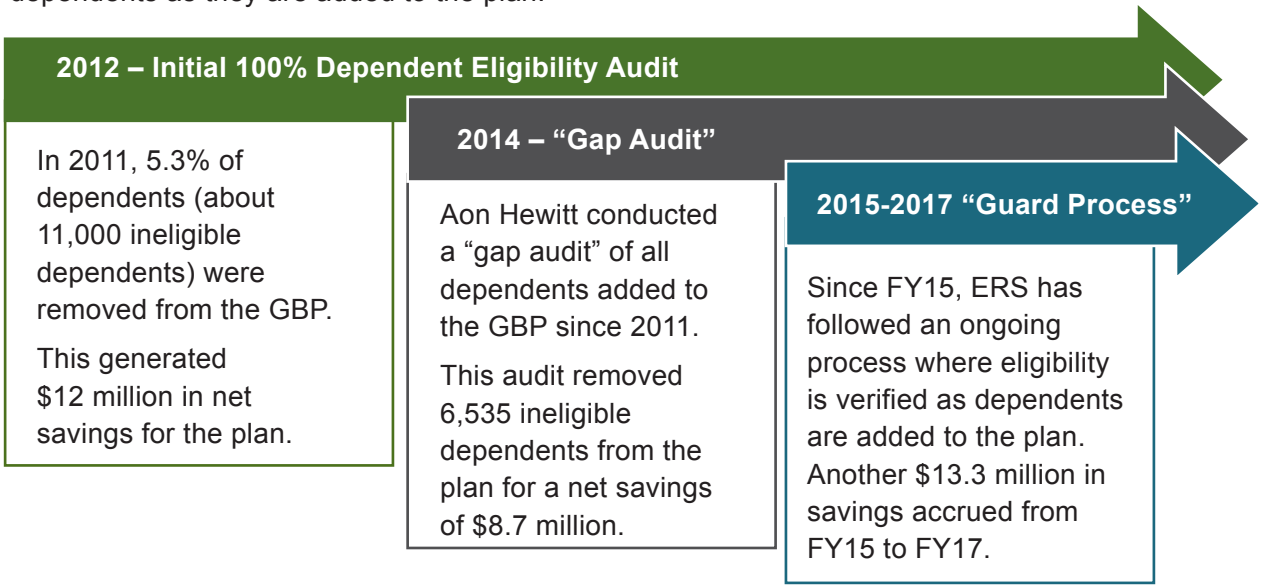
These changes also will include a process to allow an employee, participant, annuitant or covered dependent affected by a determination described by Section 1551.352 of the Insurance Code to participate directly in the process of appealing the determination.

Best Practices

...successes and new programs

Dependent eligibility audits have saved an estimated $34 million for a 10-to-1 return on investment

Removing ineligible dependents from the GBP reduces state contributions and claims costs. ERS continues to audit new dependents as they are added to the plan.



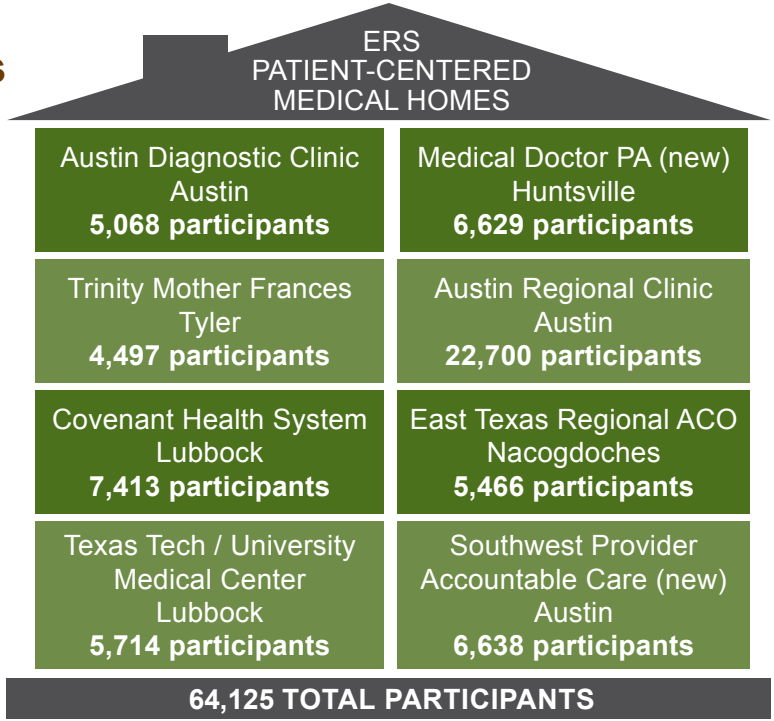
Patient-centered medical home (PCMH) participants cost 8% less than non-PCMH participants

Typical PCMH practices:

- focus on ongoing relationship with a personal primary care physician,
- use evidence-based medicine and clinical decision-support tools, and
- provide enhanced access, such as open scheduling and expanded hours.

From FY11 to FY16, PCMH practices saved the plan $72.5 million and practices received $14.7 million in shared savings payments, in addition to their contracted reimbursements for medical care.

HealthSelect has eight PCMH projects with more than 64,000 participants



Just over half of all HealthSelect spending is on value-based contracting arrangements that reward quality and accountability

Value-based contracting incentivizes providers through alternative payment arrangements to manage costs by meeting quality standards.

Examples of value-based contracting

- About one in seven HealthSelect participants is seeing a doctor affiliated with a patient-centered medical home (PCMH).
- PCMH and accountable care organization (ACO) practices may qualify for shared savings payments by reducing costs and meeting quality metrics.
- Physician performance contracts include efficiency measures, such as writing a certain percent of appropriate generic prescriptions, or referring to in-network labs.
- Hospital performance-based contracts may hinge reimbursement on reducing avoidable admissions, or on meeting expected “length-of-stay” targets for hospital visits.

Value-based incentive plan design (VBID) incentivizes patients through cost-sharing to make positive choices

VBID can be used as a carrot or a stick, either to encourage patients to make healthier choices, or to steer them toward more cost-effective providers.

VBID examples

- Reducing generic drug copays from $15 to $10
- Requiring the use of Centers of Excellence for transplants and bariatric surgeries
- Charging an extra $30 monthly premium for tobacco users
- Offering diabetes prevention programs and diabetic supplies to participants at no out-of-pocket cost

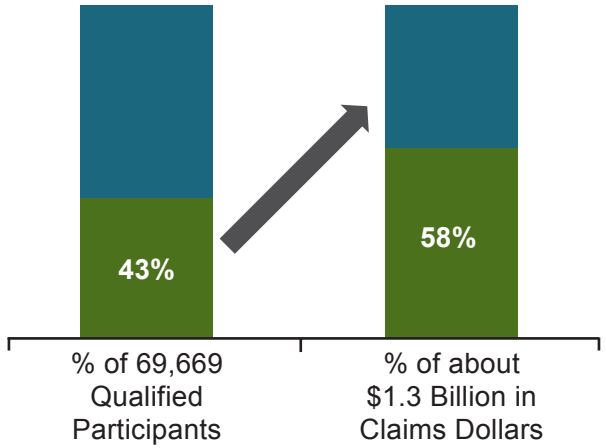
New in FY18

- Imposing a $300 copay on each visit to a freestanding emergency room
- Offering telemedicine (virtual visits) at no cost to HealthSelect of Texas participants

HealthSelect successfully targeted the highest-risk participants for care management programs

- Program supports participants in managing complex or chronic conditions.
- Enrollment increased by 25% to 30,106.
- 43% of the 69,669 high-risk participants actively engaged in a program.
- Enrolled participants target 58% of the $750 million in claims spend for the high-risk group.

Enrolling the highest-risk
43% of qualified participants targets
58% of the claims spend for that group



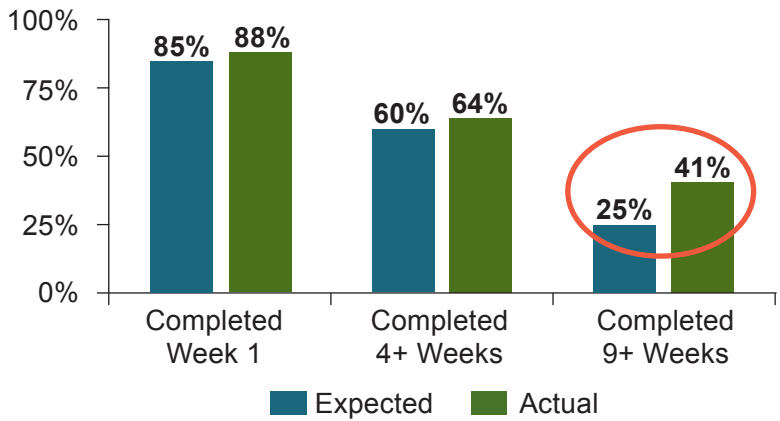
Real Appeal program is exceeding expectations

The Real Appeal program, a pre-diabetes lifestyle intervention program, was implemented on April 1, 2016, and has exceeded performance expectations.

Highlighted performance data

- 22,873 participants enrolled
- 90% of participants medically at risk (obese or prediabetic)
- 115,802 total pounds lost
- 4.85 average satisfaction rating

More HealthSelect participants stayed with the program than the Real Appeal benchmark expectation



On September 1, 2017, ERS added a second lifestyle intervention program for participants to choose from – Naturally Slim

Real Appeal success story: Kori Rodriguez

Kori is an engineer with the Texas Department of Transportation in Bulverde.

Her success with Real Appeal has helped her entire family become healthier, and changes to the family diet have also helped her husband lose weight.

Kori lost 84 pounds with Real Appeal!

Real Appeal success story: Roberta Smith

Roberta is a driver's license administrator with the Texas Department of Motor Vehicles in Justin.

Roberta cut out sodas and sweets and began eating smaller, healthier portions. Her blood work and cholesterol levels have improved.

Roberta lost 80 pounds with Real Appeal!

Virtual visits provide online access to physicians for common medical concerns

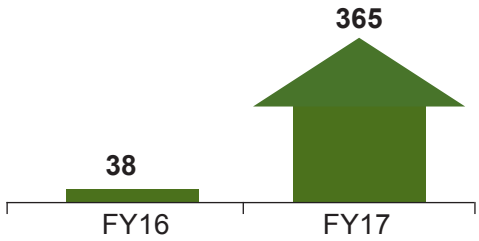
ERS started offering virtual visits, which allow participants to skip the medical office and access a Texas-licensed physician directly through their mobile devices or computers.

Virtual visits increased from FY16 to FY17, with a total of 4,383 visits for the year and a satisfaction rating of 4.8 on a five-point scale. Data show more people visit the virtual visit physicians on Friday.

Top reasons for a virtual visit include upper respiratory infections, allergies and urinary tract infections.

The visits are convenient and cost-effective for participants and lower costs to the plan.

Virtual visits per month



On September 1, 2017, ERS dropped the copay for virtual visits from $10 to $0

ERS holds regular Solution Sessions to consider new ideas

Each idea is prioritized against ERS' strategic plan and carefully evaluated for inclusion in the Group Benefits Program.

Entity	Presentation Date	Description of Product/Service	Outcome
ACAP Health	February 15, 2017	Naturally Slim, an online weight loss and health improvement program	Naturally Slim was implemented September 1, 2017 and is now available to eligible HealthSelect participants.
Dexcom	March 15, 2017	Reimburse continuous glucose monitoring (CGM) system for diabetes management through the pharmacy benefit	ERS evaluated historical utilization of CGM technology and found no claims on the health or pharmacy side. Proposal failed for lack of demand.
IntegerHealth	June 21, 2017	Reduce health claims costs through advanced data analytics	ERS continues to analyze health care cost claims through its internal business intelligence data warehouse, and through currently contracted vendors and consultants.
FitLyfe	July 19, 2017	FitLyfe 360, an integrated health and wellness platform	ERS will continue to manage health and wellness engagement and activities through currently contracted TPAs.
Voluntary benefits vendors	Throughout the year	Several vendors (long-term care, cancer insurance, income replacement plans) proposed offering their benefits to participants as an additional option through payroll deduction without an RFP process.	Under statute, ERS may not offer payroll deduction for benefits that have not been vetted through the regular RFP and contracting process. Vendors may offer their benefits through Beneplace.

The year in statistics

Premium rate increase over 2018-19 biennium: **0.7% per year**

HealthSelect of Texas

Total FY17 increase in per capita HealthSelect cost: **3.5%**

Generic drug dispensing rate increase over last six years: **12 percentage points**

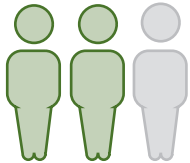
Number of medical claims paid: **6.1M**

Savings from cost management practices: **$7.8B**

Cost of member-only rate with cost-management savings: **$617**

The year in statistics

Cost of member-only rate without cost-management savings: **$2,361**



Participants age 50+ with diabetes: **1 out of 3**

GBP

External administrative costs as a percentage of total GBP spending: **1.8%**

Hospital spending as a percentage of HealthSelect costs: **48%**

Specialty drug claims as a percentage of total drug plan cost: **36%**

Summary of changes in FY17

- **Consumer Directed HealthSelect**, paired with a portable health savings account (HSA), became available to members interested in lower dependent premiums and a state contribution to their HSA in exchange for a high deductible.

- **State of Texas Vision,** an extremely popular insurance plan, became available to members.

- **OptumRx and UnitedHealthcare replaced Caremark and SilverScript** as the pharmacy benefit managers for the HealthSelect Prescription Drug Program and HealthSelect Medicare Rx, respectively — saving the program an estimated $1.0 billion over six years.

CONSUMER DIRECTED HealthSelect℠

STATE OF TEXAS VISION

OPTUMRx®

UnitedHealthcare®

Looking ahead: FY18 plan changes

Professional management and legislative support allow ERS and the state to continue to offer competitive benefits at a reasonable cost.

- **Hiring a new third-party administrator** – The ERS Board of Trustees chose Blue Cross and Blue Shield of Texas to take over as the new TPA for the HealthSelect plans (excluding HealthSelect Medicare Advantage) September 1, 2017, a decision that could save the health plan up to $1 billion over six years.
- **Encouraging use of in-network ERs** – In response to legislative direction to manage costs, ERS increased HealthSelect participants' costs at out-of-network freestanding ERs:
  - Starting September 1, 2017, the copay for out-of-network freestanding ERs (not affiliated with a hospital) doubled to $300.
  - Starting January 1, 2018, HealthSelect's payment methodology for emergency care at out-of-network freestanding ERs changed. Payments are now based on the allowable amount, rather than billed charges.
- **Eliminating HealthSelect copays for virtual visits** – As of September 1, 2017, HealthSelect of Texas and HealthSelect Out-of-State participants pay nothing out of pocket for virtual visits.
- **Offering a new weight loss program for participants, free of charge** – Starting in FY18, participants can enroll in Naturally Slim, an online weight loss and lifestyle improvement program that focuses on nutrition and exercise to aid in weight loss. Naturally Slim provides an alternative to the existing Real Appeal program.

Looking ahead: FY18 legislative project updates

- **Creating a new Group Benefits Advisory Committee (GBAC)** – In response to a Sunset Commission recommendation, the ERS Board of Trustees appointed a diverse group of state and higher education employees and retirees to the GBAC, to formalize and enhance participant input into Board decisions about GBP benefits and operations. The first GBAC meeting will be held in March 2018.
- **Data-sharing with other state agencies** – ERS is working with the Health and Human Services Commission, The Department of State Health Services, Teacher Retirement System of Texas and Texas Department of Criminal Justice to evaluate a new system for data-sharing among state-funded health care programs, with the goal of identifying cost and utilization outliers and sharing best practices. An analysis is due to the legislature May 1, 2018.
- **Evaluating the Consumer Directed HealthSelect plan** – ERS is analyzing costs and utilization of the GBP's high-deductible health plan and health savings account, and is modeling other cost-neutral options for high-deductible plans that could attract more GBP participants. The report is due to the legislature August 31, 2018.
- **Studying a method for collecting health outcomes data from participants** – In response to Senate Bill 55, ERS and the Teacher Retirement System of Texas recently issued a Request for Information to gather feedback for a cost-benefit study of establishing a patient-reported outcomes registry for musculoskeletal conditions. The study is due to the legislature December 1, 2018.

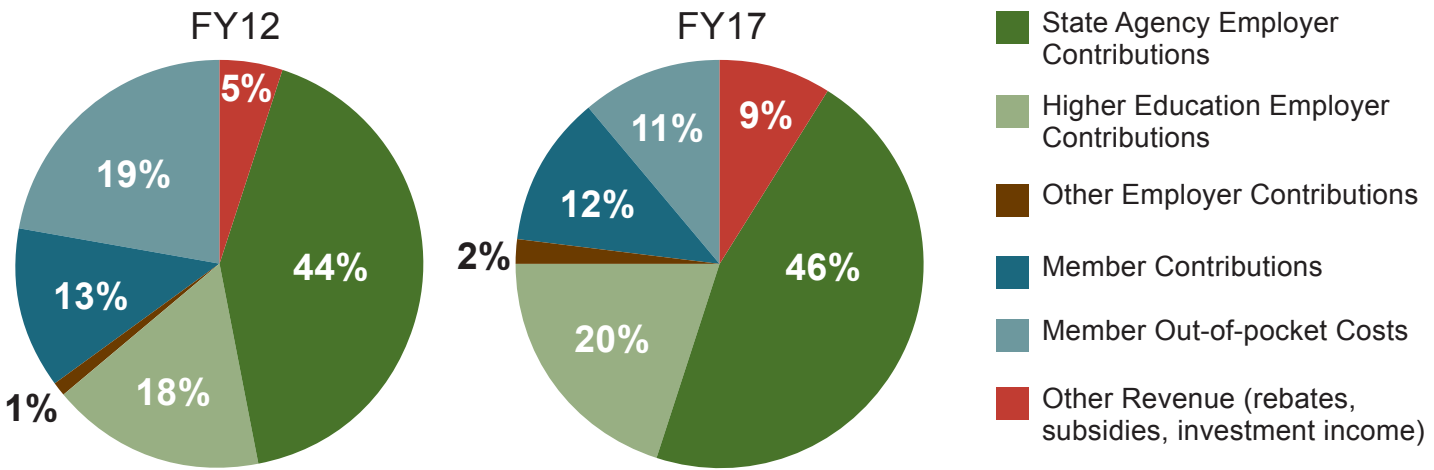
financial tables

Financial status of the Texas Employees Group Benefits Program

Summary of Experience (through September 2017) – **All GBP Health Plans**			
$Millions			
	FY15	**FY16**	**FY17**
Revenue from State/Members			
Employer contributions for state agencies	$1,653.1	$1,801.5	$1,954.5
Employer contributions for higher education	706.9	773.7	842.1
Employer contributions (other)[1]	67.7	72.5	78.5
Employer Contributions – Total	2,427.7	2,647.7	2,875.0
Member contributions	455.1	485.9	510.4
Other revenue	219.9	280.9	379.1
Total Revenue	**$3,102.7**	**$3,414.5**	**$3,764.5**
Health Care Expenditures	**$3,041.5**	**$3,356.1**	**$3,465.7**
Net Gain/(Loss)	$61.2	$58.4	$298.8
Fund Balance	**$440.5**	**$498.9**	**$797.7**
Other Expenses Incurred Outside of the GBP Fund			
Member Cost-sharing (copays, coinsurance and deductibles)	$480.4	$487.8	$491.4

[1]*Non-state agencies*

Who pays for GBP health care benefits?



GBP spending by program, FY17

	Medical Spending	Pharmacy Spending	Administrative Cost	Total
HealthSelect	$2,216,353,072	$677,753,763	$55,930,795	**$2,950,037,630**
Scott & White Health Plan	$85,353,855	$18,164,397	$9,913,553	**$113,431,805**
KelseyCare powered by Community Health Choice	$11,734,282	$2,007,031	$2,453,177	**$16,194,490**
Community First Health Plans	$15,960,931	$4,275,239	$3,091,778	**$23,327,948**
Medicare Advantage HMO – KelseyCare	$375,586	$3,530,102	$1,446,024	**$5,351,712**
Medicare Advantage PPO - Humana	$72,834,803	$238,180,351	$49,842,302	**$360,857,456**
Total	**$2,402,612,528**	**$943,910,884**	**$122,677,630**	**$3,469,201,042**

For HealthSelect, MAHMO and MAPPO the pharmacy spending does not deduct revenue returned through drug rebates.

GBP spending by program, FY17 (continued)

Optional Program	FY17 Administrative Costs
TexFlex	$1,278,188.60
State of Texas Dental Discount Plan℠	$266,739.76
HumanaDental DHMO	$2,432,960.96
State of Texas Dental Choice	$3,184,735.40
Life Insurance Plans (all)	$3,981,258.00
Texas Income Protection Plan (disability insurance)	$6,214,852.26
State of Texas Vision	$424,694.50

Differences between self-funded and fully insured plans

	Self-Funded	Fully Insured
GBP Plans	HealthSelect of Texas℠; Consumer Directed HealthSelect; dental PPO; short-and long-term disability insurance	HMOs; Medicare Advantage plans; dental HMO; life and AD&D insurance
Financial Risk	Borne by employer and employees who pay for the plan	Borne by insurance plan; often may be shared with network providers
Provider Networks	Lower cost for staying in network; higher cost for going out of network	Must use network provider to receive services, unless one is not available
Contract	ERS contracts with third-party administrator to set up a network and process claims	ERS contracts with outside insurer to provide insurance option for members
Plan Design	Controlled by ERS Board of Trustees	Negotiated with insurance company that must provide coverage comparable to HealthSelect
Claims Payments	Claims payments are made on a fee-for-service basis, and then reimbursed by the GBP insurance fund	Employer and/or members pay premiums; the insurance company pays for all claims

Projected health care cost trend is down from 8.5% last year

Category	Increased Use of Service	Provider Price Increases	Maintenance of Member Share	Total
Hospital	**2.3%**	**3.7%**	**0.6%**	**6.6%**
Other Medical Services	**2.0%**	**1.9%**	**0.2%**	**4.1%**
Gross Pharmacy	**3.0%**	**3.8%**	**3.0%**	**9.8%**
Total	**2.4%**	**3.1%**	**1.2%**	**6.7%**

The rates presented above represent the gross (underlying) health benefit cost trends prior to recognition of benefit, legislative and/or administrative changes that could be expected to impact health benefit cost.