

Public Agenda Item #14a

Review, Discussion and Consideration of the Texas Employees Group Benefits Program:

HealthSelect of TexasSM Financial Status Update as of June 30, 2016

August 16, 2016

Robert P. Kukla, Director of Benefit Contracts

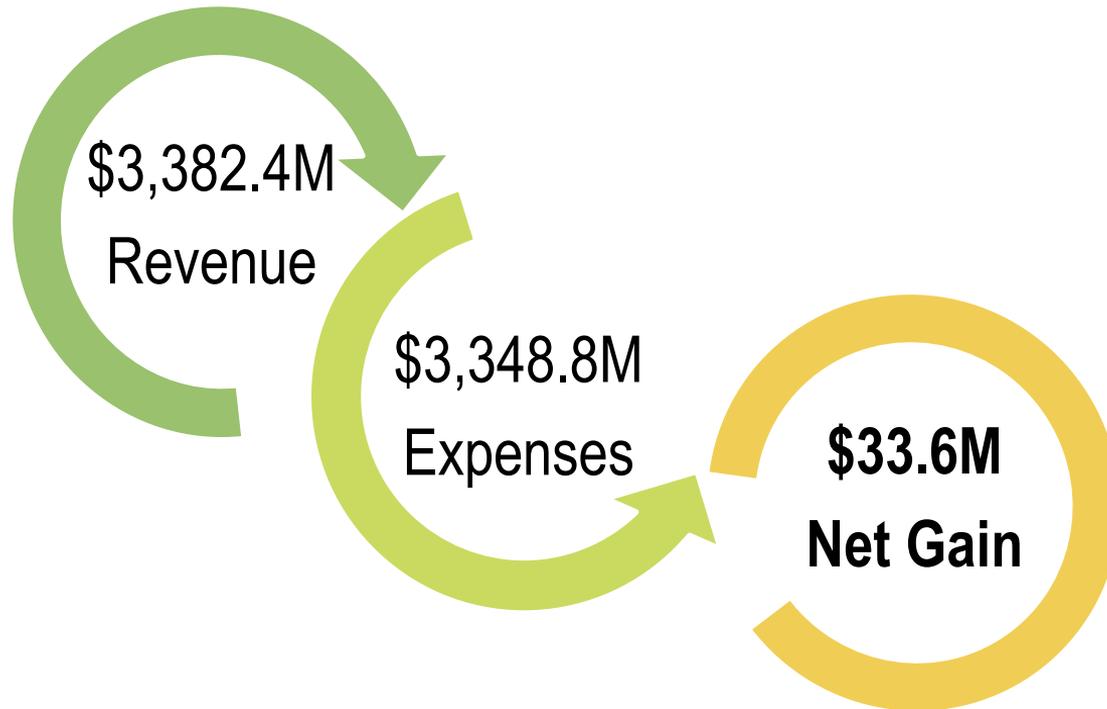
Blaise Duran, ASA, MAAA and Manager of Underwriting, Data Analysis and Reporting

Philip S. Dial, FSA, MAAA, Rudd & Wisdom, Inc.

Fiscal Year 2016 Estimated

Group Benefits Program

Fiscal Year 2016 Estimated as of June 30, 2016



GBP should finish the plan year with **\$474.1 million** in the contingency fund.

Fiscal Year 2016

GBP Health Plans Performance



Plan experience has performed better than expected due to:



Higher rebates received attributed to current and prior Fiscal Year periods.



Higher Part D Subsidies.



Lower pharmacy trend. Year-to-date in FY2016 Rx trend is 12.2% which is much lower than 18% reported previously.

HealthSelectSM of Texas

Cost Containment Strategies-*Patient Centered Medical Homes*



The PCMH model promotes a strong partnership between the patient and the primary care physician (PCP) and has proven to be a successful delivery model for ERS.

Reduction in health care costs for last five years: **\$49.2 million**



HealthSelectSM of Texas

Patient Centered Medical Homes Across Texas



*Covenant Health
Partners (Lubbock)*

TBA
(Amarillo)

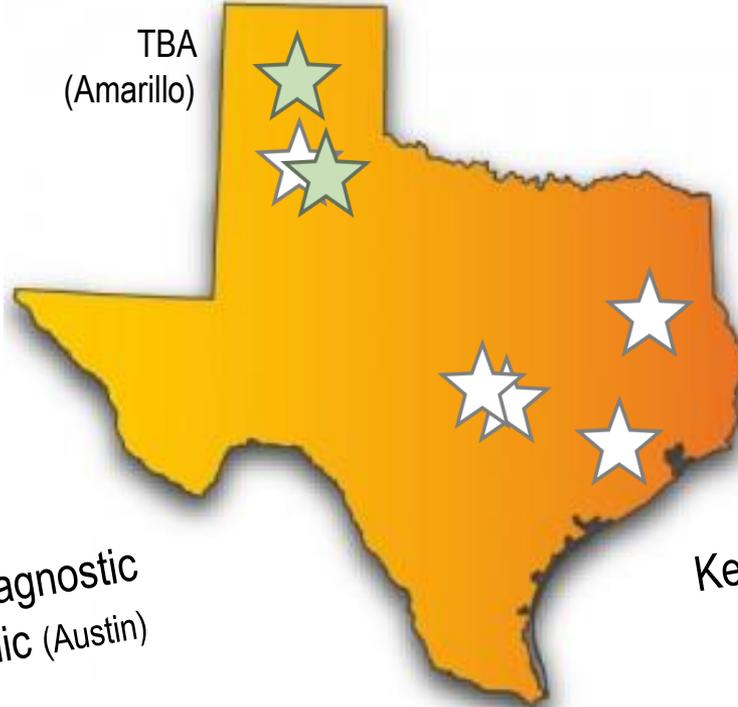
Beginning September 1, 2016:
Texas Tech University &
Physicians Network Services
(Lubbock)

*Austin Regional
Clinic (Austin)*

*Austin Diagnostic
Clinic (Austin)*

*Trinity Mother
Frances (Tyler)*

*Kelsey-Seybold
(Houston)*



Outlook for Fiscal Year 2017

HealthSelectSM of Texas

IRS Benefit Limitations Increase



Each year, the IRS increases its limits on total network out-of-pocket maximums for group health plans which HealthSelect follows. On January 1, 2017, the limits will increase to:

\$6,550
Per
Individual

\$13,100
Per
Family

This increase along with all ACA fees to the plan are approximately \$12.5 million for FY2017.

HealthSelectSM of Texas

Outlook for Fiscal Year 2017



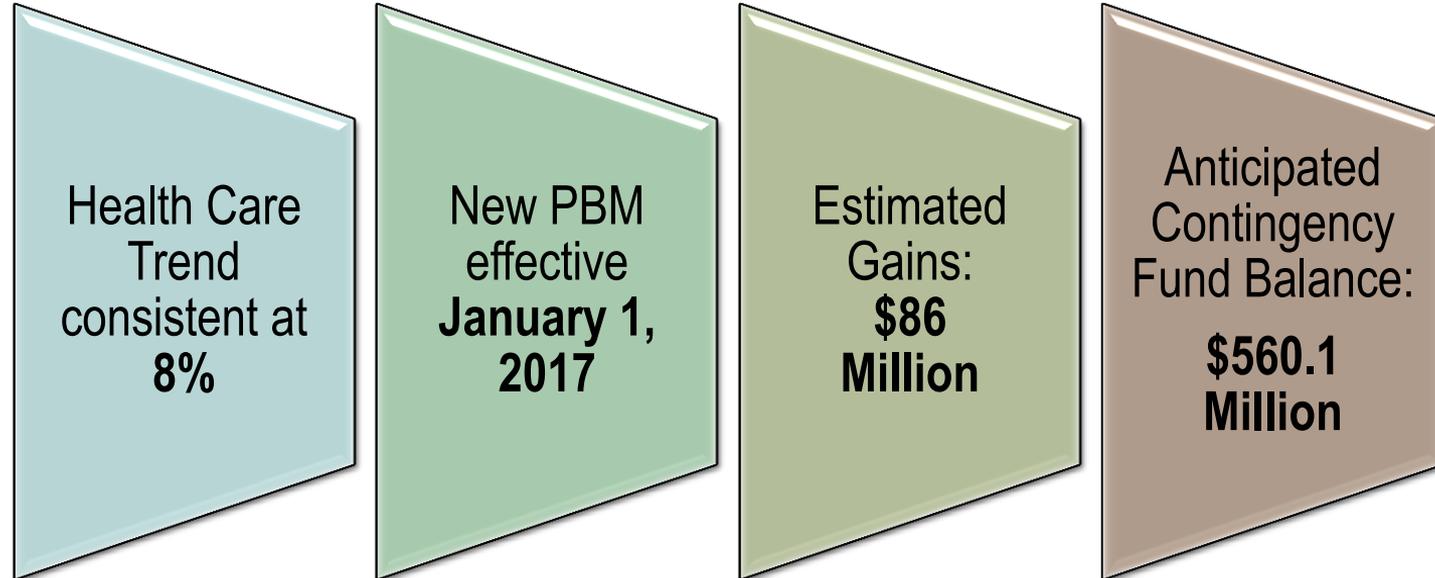
CONSUMER DIRECTED

HealthSelectSM

- Begins September 1, 2016
- New option for GBP participants not eligible for Medicare
- High deductible health plan administered by United Healthcare Services, Inc.
- Health Savings Account (HSA) administered by OptumBank, a subsidiary of United Healthcare Services, Inc.

HealthSelectSM of Texas

Outlook for Fiscal Year 2017



Amount needed to fund GBP health plan for 60 days: \$687.3 million

HealthSelectSM of Texas

Summary of Health Plan Experience



Revenue from State/Members (\$ millions)	FY 15	Projected FY 16	Projected FY 17
Contribution for State Agencies	\$ 1,653.1	\$ 1,800.3	\$ 1,967.5
Contribution for Higher Education	706.9	773.6	845.5
State Contribution-Other	\$ 67.7	\$ 72.8	\$ 79.5
State Contribution-Total	2,427.7	\$ 2,646.7	\$ 2,892.5
Member Contribution	\$ 455.1	\$ 483.4	\$ 528.3
Other Revenue (Rebates & Federal Subsidies)	\$ 219.9	\$ 252.3	\$ 365.6
TOTAL REVENUE	\$ 3,102.7	\$ 3,382.4	\$ 3,786.4
Health Care Expenditures	\$ 3,041.5	\$ 3,348.8	\$ 3,700.4
Net Gain/ (Loss)	\$ \$61.2	\$ 33.6	\$ 86.0
Fund Balance	\$ 440.5	\$ 474.1	\$ 560.1
Other expenses Incurred Outside of the GBP Fund			
Member Cost Sharing	\$ 480.4	\$ 486.7	\$ 495.9

Questions?