

# Texas Employees Group Benefits Program Annual Report FY22

Employees Retirement System of Texas

FEBRUARY 2023



**ERS**<sup>®</sup>  
EMPLOYEES RETIREMENT  
SYSTEM OF TEXAS

---

# Employees Retirement System of Texas

## **Executive Director**

Porter Wilson

## **Board of Trustees**

James (Jim) Kee, Ph.D., chair

Brian Barth, vice-chair

Neika Clark

I. Craig Hester

Catherine Melvin

John R. Rutherford

---

200 E. 18th Street  
Austin, Texas 78701

**[www.ers.texas.gov](http://www.ers.texas.gov)**

February 2023

*Reporting required by Texas Insurance Code, Section 1551.061*

---

---

# Table of Contents

---

- Overview** ..... **Section 1, pages 1-11**
- Benefits We Offer** ..... **Section 2, pages 12-31**
- Whom We Serve** ..... **Section 3, pages 32-36**
- Spotlight: Mental Health Care** ..... **Section 4, pages 37-40**
- Cost Trends** ..... **Section 5, pages 41-48**
- Best Practices** ..... **Section 6, pages 49-62**
- Cost Management and Fraud Prevention** ..... **Section 7, pages 63-76**
- Performance Monitoring** ..... **Section 8, pages 77-91**
- Appendix** ..... **Section 9, pages 92-99**

---

# Overview

---



## FY22 highlights

**The Texas Employees Group Benefits Program (GBP) health insurance covers more than half a million state agency and higher education employees, retirees and their family members**

***That's one in 56 Texans!***



.....☑.....

The State of Texas needs a qualified workforce,  
and a competitive benefits package helps to  
attract and retain the right people

.....☑.....

## Who is responsible for establishing health insurance program policy?

Texas Legislature			ERS Board of Trustees	
Eligibility	Contribution Strategy	Appropriations	Professional Management	Plan Design
Who can be covered	How the cost is shared	How the cost is funded	How contracting and cost management save the plan money	How benefits ensure quality, provide choice and align incentives with health risks

HealthSelect<sup>SM</sup> insurance premium contribution rates remained steady, in part due to prudent management and competitive contracts.

## HealthSelect's negotiated rates with a broad network of medical providers and pharmacies deliver the largest savings to the health plan and the state: \$8.3 billion in FY22

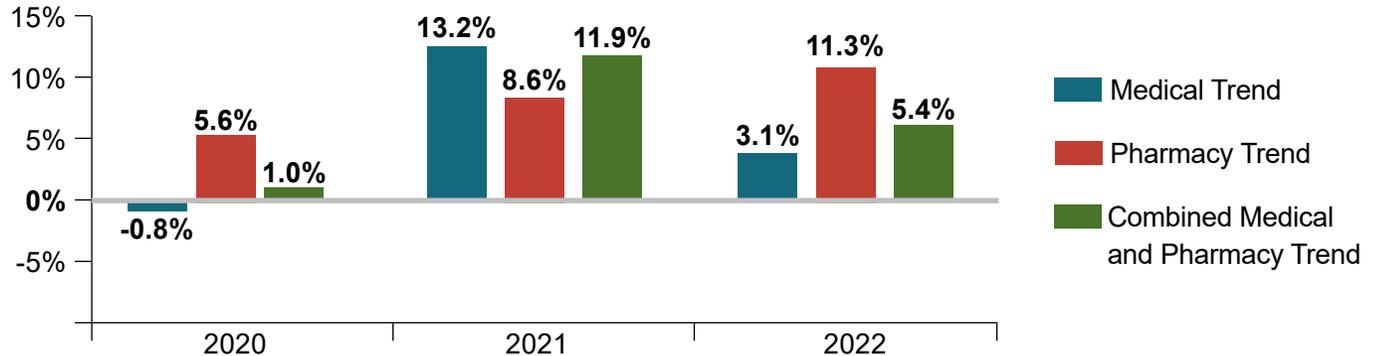
HealthSelect plans provide significant savings with a broad network of medical providers and pharmacies that have contracted with the plan at negotiated, discounted rates. **This strong, network provides high-quality care to participants while managing and controlling health care costs for the state.**

HealthSelect's Pharmacy Benefit Manager (PBM) and third-party administrator (TPA) have negotiated discounted rates with more than 4,500 pharmacies and more than 110,000 health care providers and facilities across the state, including more than 20,000 primary care physicians.



## The self-funded HealthSelect plans experienced a lower FY22 cost trend compared to FY21

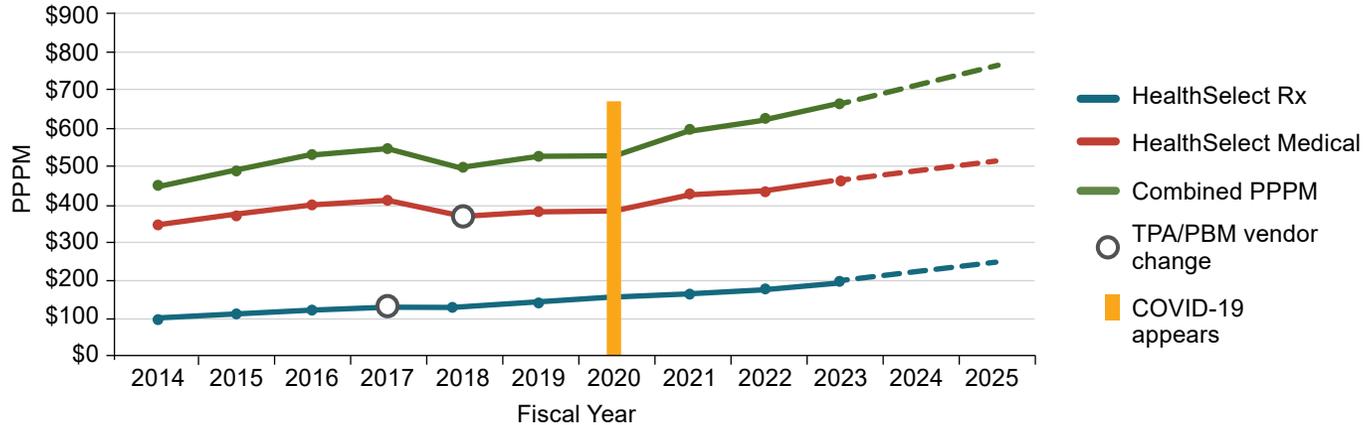
FY22 trend (medical and pharmacy combined) returned to normal levels with utilization of services similar to levels observed prior to the COVID-19 pandemic. Medical trend is slightly lower than historical norms due to a reduction in COVID-19-related service cost.



## HealthSelect self-funded plan cost trend and projections

Typically, costs increase every year, except in years with special circumstances. Along with the reduction in service utilization beginning in FY20 due to the COVID-19 pandemic, the HealthSelect PBM contract (effective FY17) and the HealthSelect medical TPA contract (effective FY18) changes caused improvements to the cost trend.

Actual and projected plan costs (per participant per month - PPPM)



Costs shown do not include pharmacy rebate impact.

## The HealthSelect of Texas® point-of-service plan helps keep the plan affordable through its plan design

The plan design relies on an established relationship with a network primary care provider (PCP), who gets to know the participant, their medical history and their lifestyle

- For point-of-service plan participants, selection of a PCP is important to receive the highest level of benefits.
- A PCP coordinates a participant's care, including management of any referrals needed to see a specialist – required to receive in-network benefits in most cases.

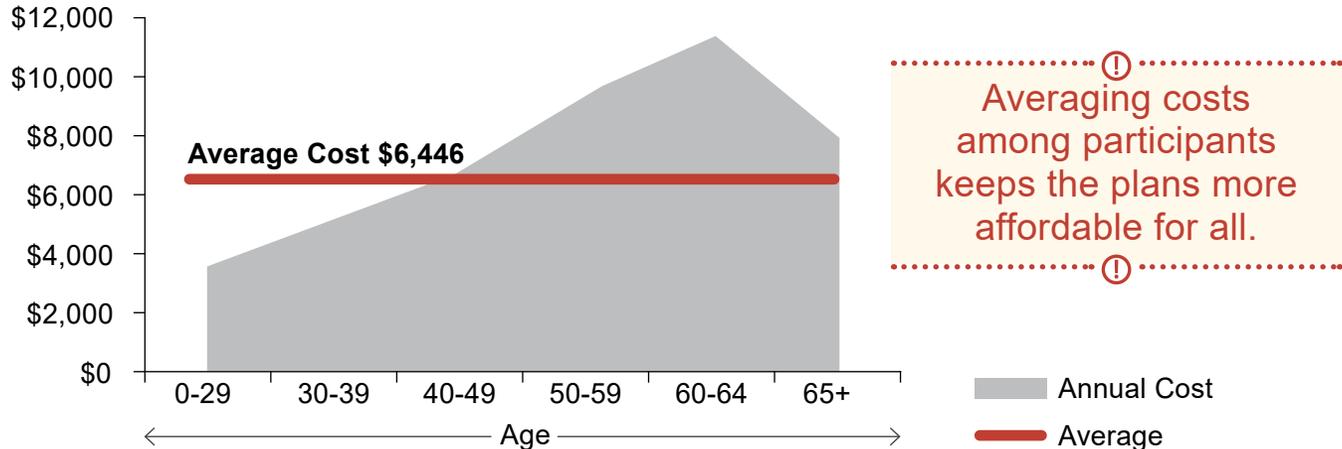


89% of HealthSelect of Texas participants have designated a PCP.

## HealthSelect participants benefit from a large risk pool

ERS spreads health care costs across nearly a half million participants, keeping the HealthSelect plans more affordable for everyone.

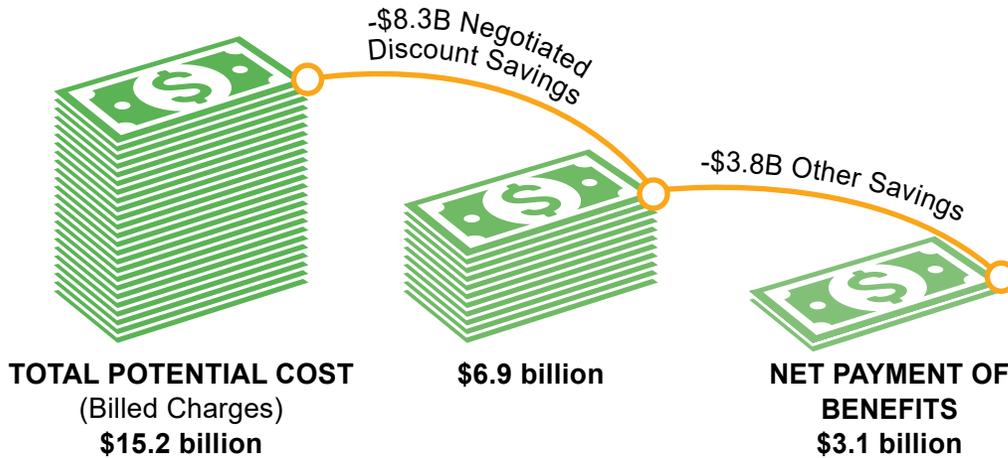
HealthSelect's average annual claims cost per participant, by age group, all medical and pharmacy\* claims, FY22



\*Pharmacy costs are net of rebates. Cost does not include participant's share of the cost.

## Effective management reduced FY22 HealthSelect costs by \$12.1 billion

Largely as a result of strategic and effective contracting, the plans paid \$3.1 billion in health care costs, instead of the \$15.2 billion that could have been paid without active plan management.



## HealthSelect at a glance

< 3¢

portion of every  
HealthSelect dollar spent  
on administrative costs

**HealthSelect**  
of Texas

Average annual HealthSelect  
cost per participant: **\$6,446**



Annual savings due to removing  
ineligible dependents: **\$2.4M**



Number of medical  
claims paid: **6.7M**



Potential cost of member-only monthly  
rate without cost-management savings:  
**\$3,048**



Cost of member-only monthly rate  
with cost-management savings:  
**\$623**

## HealthSelect at a glance



Savings from HealthSelect  
cost management practices:  
**\$12.1B**



Number of HealthSelect medical  
and mental health virtual visits\*:  
**104,920**



Payments from all GBP health plans to  
doctors, hospitals, pharmacies and other  
care providers across Texas: **\$3.25B**



Percentage of GBP participants  
who live in Texas

*\*Doctor on Demand and MDLive*

---

# Benefits We Offer

---



...about our plans

## HealthSelect of Texas is the primary health plan for state agency and eligible public higher education employees

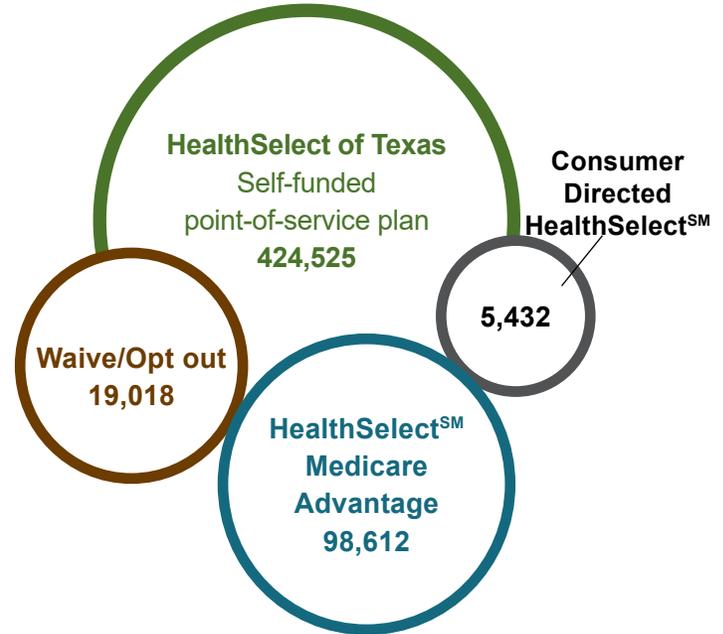
ERS has administered insurance benefits for state agency employees and retirees since 1976. Employees and retirees of Texas public community colleges and higher education institutions, other than the University of Texas and Texas A&M University systems, joined in 1992.

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

All newly hired state agency and higher education institution employees eligible for health coverage are enrolled in HealthSelect of Texas after a minimum 60-day waiting period, but may opt out or switch to another plan. Important deadlines apply. About 19,000 of eligible employees and retirees elected to waive or opt out of GBP health plan coverage in FY22.

80% of GBP health plan participants enrolled in HealthSelect of Texas

*August 31, 2022*



## GBP benefits available in FY22

 Health Benefits	 Medicare-eligible Retiree Health Benefits	 Optional Add-on Benefits
<b>HealthSelect of Texas Plans</b>	<b>Medicare-Eligible Retiree Plans</b>	<b>Dental Plans</b>
<ul style="list-style-type: none"> <li>• HealthSelect of Texas</li> <li>• Consumer Directed HealthSelect<sup>SM</sup></li> <li>• HealthSelect<sup>SM</sup> Prescription Drug Program</li> </ul>	<ul style="list-style-type: none"> <li>• HealthSelect<sup>SM</sup> Medicare Advantage Plan, a preferred provider organization (MA PPO)</li> <li>• HealthSelect<sup>SM</sup> Secondary</li> <li>• HealthSelect<sup>SM</sup> MedicareRx - Employer Group Waiver Plan (EGWP) + Wrap</li> </ul>	<ul style="list-style-type: none"> <li>• State of Texas Dental Choice Plan<sup>SM</sup></li> <li>• DeltaCare<sup>®</sup> USA DHMO</li> </ul> <p><b>State of Texas Vision<sup>SM</sup></b></p> <p><b>Optional Life, AD&amp;D Insurance</b></p>

## GBP benefits available in FY22 (continued)



### State of Texas Employees Flexible Benefit Program

#### TexFlex<sup>SM</sup> flexible spending accounts (FSA) § 125 reimbursement account

- TexFlex<sup>SM</sup> health care FSA
- TexFlex<sup>SM</sup> dependent care FSA
- TexFlex<sup>SM</sup> limited purpose FSA



### Short- and long term disability insurance

#### Texas Income Protection Plan<sup>SM</sup> (TIPP) Short-term disability coverage

#### TIPP Long-term disability coverage

## GBP health insurance choices – FY22 benefit highlights

	HealthSelect of Texas (point-of-service plan)	Consumer Directed HealthSelect (high-deductible health plan with health savings account)	HealthSelect Medicare Advantage (MA) PPO
Administrator/ Insurance Carrier	Blue Cross and Blue Shield of Texas (BCBSTX)		UnitedHealthcare®
In-network Deductibles	\$50 prescription drug deductible	\$2,100 individual; \$4,200 family	\$50 prescription drug deductible
Copays/ Coinsurance?	Yes/Yes	No/Yes	Yes/Yes
PCP Designation Required?	Yes	No	No
Referrals Needed for Specialty Care?	Yes	No	No
Out-of-network benefits available?	Yes	Yes	Yes

## Consumer Directed HealthSelect

Since September 1, 2016, ERS has administered Consumer Directed HealthSelect, a high-deductible health plan (HDHP) with a portable, federal tax-advantaged health savings account (HSA).

Consumer Directed HealthSelect has lower dependent premiums than HealthSelect of Texas. The state contributes monthly to the enrolled member's HSA: \$45 for member-only coverage or \$90 for family coverage. HSA account balances stay with the member through, and after, their state employment and can be used for incurred health care costs. Participants can invest HSA funds once the account has more than \$2,000. Distributions from the HSA are not subject to federal income tax if used for eligible health care expenses not reimbursed from another source.

Unlike the HealthSelect point-of-service plan, Consumer Directed HealthSelect allows participants to see specialists without a PCP referral. Members are responsible for paying the full cost of health care and prescriptions (except preventive care) until they reach their annual deductible.



2022 Deductible (includes prescriptions)	Individual Coverage	Family Coverage
In-network	\$2,100	\$4,200
Out-of-network	\$4,200	\$8,400

## Tax-free health savings accounts

In addition to the state's contributions to each Consumer Directed HealthSelect member's health savings account (HSA) with Optum Bank, the member can contribute as well. HSAs have three federal tax advantages: contributions are tax-free; funds used to pay for eligible medical expenses are not taxed; and earnings on HSA funds can grow tax-free. Medicare enrollees cannot contribute to an HSA but may use HSA funds throughout their life. At age 65, account holders can use HSA funds for any reason, but funds used for something other than eligible medical expenses are subject to income tax.

### HSA contributions and maximums for CY22

	Individual Coverage	Family Coverage
<b>Annual Maximum Contribution</b>	\$3,650	\$7,300
<b>Annual State Contribution</b>	\$540 (\$45 monthly)	\$1,080 (\$90 monthly)
<b>Annual Maximum Participant Contribution, Additional \$1,000 "Catch-up" Contribution for Age 55 and Older</b>	\$3,110	\$6,220

HSA Activity (January 1 – August 31, 2022)	
<b>Number of Accounts Active</b>	3,578
<b>Average Account Balance</b>	\$1,494
<b>Average Employee Monthly Contribution</b>	\$226

## Retiree health insurance

In addition to the HealthSelect plans, the GBP offers eligible retirees a Medicare Advantage (MA) option with lower dependent premiums and no medical deductible.

- **HealthSelect<sup>SM</sup> Medicare Advantage** (nationwide MA PPO plan) administered by UnitedHealthcare<sup>®</sup>

The Medicare Advantage plan includes prescription drug coverage by **HealthSelect<sup>SM</sup> Medicare Rx**, administered by UnitedHealthcare<sup>®</sup>.

Eligible non-Medicare retirees have access to the same health plans as active employees.

**HealthSelect<sup>SM</sup>**  
*Medicare Advantage Plan*



**HealthSelect<sup>SM</sup>**  
of Texas  
Medicare 

---

## Tiered premiums for retiree health insurance

To be eligible for GBP retiree insurance, retirees must have at least 10 years of service credit with an agency or higher education institution that participates in the GBP. Currently, the State of Texas pays at least some of the premium for retirees who are eligible for GBP health insurance. The amount the state currently contributes to a retiree's monthly health insurance premium depends on several factors. ERS benefits counselors provide information about the tiered premium structure to assist ERS members with retirement planning.

**The state pays a percentage of the retiree premium cost for retirees who worked full time their last three months of employment at a state agency/institution that participates in the GBP. The current state contribution percentage is:**

- 50% of member premium with 10 years to 14 years, 11 months of service
- 75% of member premium with 15 years to 19 years, 11 months of service
- 100% of member premium with at least 20 years of service or, for grandfathered retirees, with at least 10 years of service

The state pays half of the amount shown above for retirees who worked part-time before retirement and for retiree dependent premiums.

---

## HealthSelect Medicare Advantage offers retirees added benefits and significant savings

When GBP retirees and their dependents reach age 65 and become eligible for Medicare coverage, GBP health insurance (except for HealthSelect Medicare Advantage) becomes a secondary payer to Medicare. With HealthSelect Medicare Advantage, a retiree enrolled in Medicare Part A and Part B will enjoy a plan designed for a senior population without a medical deductible and with more benefits than Original Medicare. Retirees covering Medicare-eligible dependents save significant premium cost by enrolling in this plan.

---

81%

of eligible retirees and spouses enrolled in the MA plan

## All GBP health plans include prescription drug coverage

**HealthSelect<sup>SM</sup> Prescription Drug Program.** All HealthSelect participants not enrolled in Medicare receive drug benefits through the HealthSelect Prescription Drug Program, administered in FY22 by UnitedHealthcare<sup>®</sup> Services, Inc., referred to as Optum Rx.

**HealthSelect<sup>of Texas</sup> Medicare Rx** is a self-funded employer group waiver program with a *wraparound* feature (EGWP + Wrap) available for most Medicare-primary participants.

An EGWP + Wrap program is a comprehensive Medicare Part D drug benefit with a wraparound provision. Because the wraparound portion supplements Part D, Medicare retirees get prescription drug benefits that are as close as possible to those offered in the HealthSelect PDP. In PY22 the plan is administered by UnitedHealthcare<sup>®</sup> Services, Inc.



### HealthSelect of Texas prescription drug copays\*

	30-day retail	90-day retail	90-day mail order
Tier 1 - mostly generic	\$10	\$30	\$30
Tier 2 - mostly brand-name	\$35	\$105	\$105
Tier 3 - Non-preferred brand-name	\$60	\$180	\$180

30-day supply of maintenance medication: \$45 for Tier 2 & \$75 for Tier 3

\*not applicable to Consumer Directed HealthSelect

## The GBP includes a range of optional add-on benefits

Members pay 100% of the cost for optional benefit programs. The state does not contribute to these benefits.

Optional Add-on Benefits				
Coverage	Plan Type	Funding	FY22 TPA/Insurer	FY22 Enrollment
Dental	PPO	Self-funded	Delta Dental	361,750
	HMO	Fully insured	DeltaCare® USA	96,143
Vision	Vision insurance	Self-funded	Superior Vision Services	285,520
Optional Life	Group term insurance	Fully insured	Minnesota Life Insurance Co.	209,971
Dependent Life				96,413
Voluntary AD&D	Group term insurance	Fully insured	Minnesota Life Insurance Co.	119,053
Texas Income Protection Plan (Disability Insurance)	Short-term	Self-funded	ReedGroup	103,856
	Long-term	Self-funded		79,771
TexFlex	Flexible spending accounts	NA	PayFlex® Systems USA, Inc.	39,884

## Dental and vision

The GBP offers optional dental and vision insurance coverage.

Participants pay the full cost of all optional coverage, including dental and vision insurance.

- **State of Texas Dental Choice Plan<sup>SM</sup>**, a self-funded national preferred provider organization (PPO), administered by Delta Dental
- **DeltaCare<sup>®</sup> USA DHMO**, a fully-insured dental health maintenance organization (DHMO) plan with a Texas network, administered by DeltaCare<sup>®</sup> USA
- **State of Texas Vision<sup>SM</sup>**, a self-funded vision plan with eye exam and eyewear benefits (glasses and contacts) and additional discounts for some services (like LASIK surgery), administered by Superior Vision.

STATE OF TEXAS  
**DENTAL CHOICE**  
PLAN



DeltaCare<sup>®</sup> USA



STATE OF TEXAS  
**VISION**

## FY22 flexible spending accounts (FSAs)

ERS offers three tax-advantaged options to help members pay eligible out-of-pocket costs not reimbursed by another source.



Health Care FSA	Limited Purpose Health Care FSA	Dependent Care FSA
§ 125 Reimbursement Plan	§ 125 Reimbursement Plan	§ 125 Reimbursement Plan
Maximum contribution FY22: \$2,750 per member	Maximum contribution FY22: \$2,750 per member	Maximum contribution FY22: \$5,000 per household
Eligible expenses include: <ul style="list-style-type: none"> <li>• Copays and coinsurance</li> <li>• Dental expenses</li> <li>• Eyeglasses/LASIK/contacts</li> <li>• Medical supplies</li> <li>• Other eligible expenses as determined by the IRS</li> </ul>	Available to Consumer Directed HealthSelect members for eligible: <ul style="list-style-type: none"> <li>• Vision expenses</li> <li>• Dental expenses</li> </ul>	Eligible expenses: <ul style="list-style-type: none"> <li>• Day-care expenses for eligible dependent children or adults</li> </ul>
\$550* allowable carryover	\$550* allowable carryover	Eligible for grace period
Subject to forfeiture	Subject to forfeiture	Subject to forfeiture
Accounts: 37,235	Accounts: 169	Accounts: 2,480

\*Increased to \$570 in FY23.

# Optional Life and Accidental Death & Dismemberment (AD&D) insurance

## Basic Term Life included with health insurance

Coverage for active employees enrolled in HealthSelect includes \$5,000 of Basic Term Life Insurance with \$5,000 of AD&D coverage at no cost to employees.

Each retiree participating in a GBP health plan automatically receives \$2,500 Basic Term Life Insurance at no cost to the retiree.

## Optional Term Life Insurance

When hired, an employee may elect **Optional Term Life Insurance** at one or two times annual salary without evidence of insurability (EOI). An election of three or four times annual salary requires EOI. An employee's Optional Term Life election provides an equal amount of additional AD&D coverage. The amount of life insurance may not exceed \$400,000, with a corresponding amount of AD&D coverage.

Optional Term Life Insurance is also available to retirees, subject to declining maximum coverage amounts based on age. AD&D coverage is not available to retirees.

ERS contracts with Minnesota Life Insurance Co., known as Securian Financial™, to administer Basic and Optional Term Life and AD&D insurance.



As participants age, Optional Term Life coverage is reduced by a certain percentage, down to not less than \$10,000. Retirees can choose a \$10,000 Fixed Optional Term Life Insurance plan.

### Age-Based Reductions – Optional Term Life Coverage

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

---

## 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 eligible dependent. Participating retirees may retain \$2,500 of Dependent Group Term Life Insurance, as long as they were enrolled in coverage at retirement. The AD&D coverage is not available for dependents of retired employees.

## Voluntary AD&D insurance

Available only to active employees and their dependents, voluntary AD&D insurance is available in incremental amounts up to \$200,000. An employee does not have to enroll in Optional Group Term Life Insurance coverage to enroll in voluntary AD&D.

## Disability insurance

**The Texas Income Protection Plan<sup>SM</sup>** provides optional insurance coverage for short-term disability and long-term disability. This coverage can increase an employee's financial security and assist the employee through a period without the employee's income, when the employee meets eligibility requirements and is determined by a doctor to be disabled.



## Self-funded FY22 HealthSelect and Basic Life Insurance coverage costs

Member rates shown below include both health and Basic Term Life Insurance coverage.

	Premium	State Pays	Member* Pays
<b>HealthSelect of Texas</b>			
Member Only	\$624.82	\$624.82	\$0.00
You + Spouse	\$1,339.90	\$982.36	\$357.54
You + Children	\$1,103.58	\$864.20	\$239.38
You + Family	\$1,818.66	\$1,221.74	\$596.92
<b>Consumer Directed HealthSelect</b>			
Member Only	\$624.82	\$624.82	\$0.00
You + Spouse	\$1,304.16	\$982.36	\$321.80
You + Children	\$1,079.64	\$864.20	\$215.44
You + Family	\$1,758.98	\$1,221.74	\$537.24

\*Member is a full-time employee or retiree not eligible for Medicare or subject to contribution tiers.

## GBP Plan Changes, FY22

Fiscal Year 2022	HealthSelect of Texas Secondary, Consumer Directed HealthSelect	Deductible does not apply to diagnostic A1C testing
	HealthSelect of Texas Prescription Drug Program (PDP), Consumer Directed HealthSelect PDP	Deductible does not apply to formulary insulin dispensed at in-network pharmacy
	State of Texas Dental Choice	The age range for coverage of topical sealants expanded to include sealants for dependent children on their permanent first molars to age 9, and second permanent molars to age 16. (Prior coverage was limited to dependent children to age 13, and limited treatment to one treatment / tooth / 3 years).

## GBP Plan Changes, FY22 (continued)

For the duration of the Public Health Emergency (PHE) related to COVID-19, the following benefits are in place:

Fiscal Year 2022	HealthSelect of Texas	<ul style="list-style-type: none"><li>• \$0 cost share for provider telemedicine/telehealth visits associated with COVID-19 diagnosis</li><li>• \$0 cost share for physician-ordered, in-network lab testing for COVID-19</li><li>• \$0 cost share for physician-ordered, non-network lab testing for COVID-19</li><li>• Waiver of prior authorization or referral relative to COVID-19</li></ul>
	Consumer Directed HealthSelect	<ul style="list-style-type: none"><li>• \$0 cost share for physician-ordered, in-network lab testing for COVID-19</li><li>• \$0 cost share for physician-ordered, non-network lab testing for COVID-19</li><li>• \$0 cost share for provider telemedicine / telehealth visits associated with COVID-19 diagnosis</li></ul>

## GBP Plan Changes, FY22 (continued)

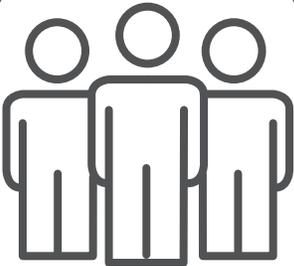
Effective January 15, 2022, the Federal Government required group health plans to cover up to eight at-home COVID-19 tests per month, per individual. In response, the HealthSelect Prescription Drug Program, administered by Optum Rx, did the following.

Fiscal Year 2022	HealthSelect PDP	<ul style="list-style-type: none"><li>• Made tests available through the Optum Store, accessible through the HealthSelect PDP website</li><li>• Updated claims system to allow for tests purchased at in-network pharmacy to process through the pharmacy benefit</li><li>• Reimbursed participants up to \$12 / test, upon submission of receipts of tests purchased at an out-of-network pharmacy</li><li>• Implemented a Test to Treat program, whereby antiviral medications are available at no cost when obtained at an in-network pharmacy after testing positive for COVID-19</li></ul>
---------------------	------------------	---

---

# Whom We Serve

---



...about our members

## Who can enroll in the GBP?

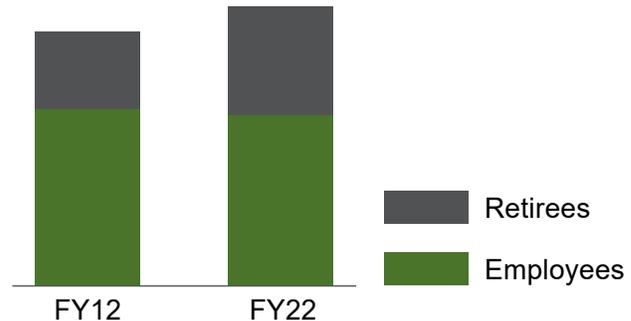
The GBP provides health insurance coverage and optional benefits to employees and retirees of state agencies and public institutions of higher education (except the University of Texas and Texas A&M University systems), and their eligible family members.

### Of those enrolled in health insurance plans:

- The average age of GBP members (employees and retirees) is 55.
- About one-third work or worked in higher education.
- The retiree population has grown 44% over 10 years.

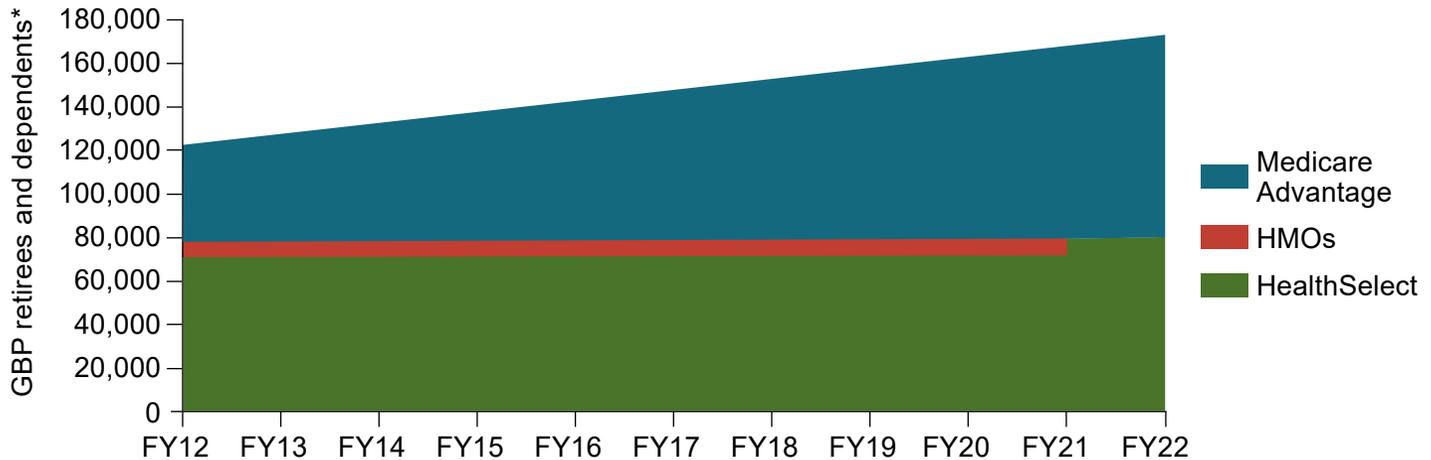
## GBP health insurance enrollment (members - not including dependents)

	FY12	FY22	% Change
<b>Employees</b>	208,026	200,351	-3.7%
<b>Retirees</b>	88,699	127,691	44.0%
<b>Total</b>	296,725	328,042	10.6%



The increasing retiree population drives health insurance enrollment growth.

## GBP retiree health plan enrollment continues to grow with the fastest growing enrollment in the HealthSelect Medicare Advantage Plan, first available in FY12.



\*GBP retirees and dependents include those not eligible for Medicare.



Retirees choosing the MA plan saved \$92 million in FY22 dependent premiums.

## GBP health plan member demographics (FY22)

	Active Employees	Pre-65 Retirees	65+ Retirees	All Members*
Total Number	200,351	34,127	93,564	328,042
Average Member Age	46 years	59 years	74 years	55 years
Average Dependent Age	22 years	38 years	68 years	30 years
% Who Enroll Dependents	37%	29%	24%	32%
Gender	58% female 42% male	54% female 46% male	56% female 44% male	57% female 43% male
Average Years of Service	9 years	25 years	22 years	15 years
Place of Employment	66% agency 34% higher ed	85% agency 15% higher ed	71% agency 29% higher ed	69% agency 31% higher ed

\*Members include active employees and retirees only. The table above does not include dependents, survivors, COBRA or other miscellaneous groups.

## Risk of chronic conditions increases with age

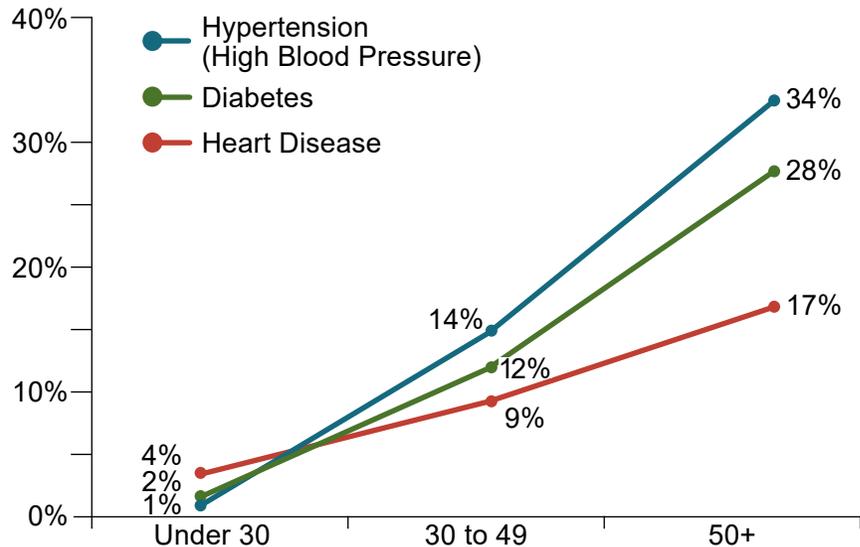
With age, the risk increases for common chronic conditions such as high blood pressure, heart disease and diabetes.

The average age of a GBP member (both employees and retirees) is 55.

Without treatment, these conditions can lead to other conditions and higher costs.

Source: BCBSTX Healthcare Economics Team

Percentage of FY22 HealthSelect population living with chronic conditions  
(Medicare population not included)



---

## Spotlight:

---



...Increasing access to  
mental health care

---

## Access to mental health care expanded



Access to mental health services dramatically improved with the change to the broad Blue Cross and Blue Shield mental health network. Access to mental health Virtual Visits through Doctor On Demand<sup>®</sup> and MDLIVE<sup>®</sup> also improved.

## HealthSelect mental health provider network triples

Blue Cross and Blue Shield of Texas (BCBSTX) began managing HealthSelect of Texas and Consumer Directed HealthSelect mental health benefits on September 1, 2020, replacing Magellan Healthcare<sup>®</sup>. The HealthSelect network of mental health providers is now three times the size it was in August 2020, with more than 21,000 specialists.

## Help is now one phone call away

When someone experiences a mental health issue, finding care can feel like an overwhelming task. HealthSelect participants can now make one phone call to speak to a BCBSTX Personal Health Assistant and get connected with needed care: (800) 252-8039 (TTY: 711).

---

## Access to mental health care expanded (continued)

### Mental health care is even more accessible with Doctor On Demand® and MDLIVE®

In FY19, ERS added scheduled mental health Virtual Visits at the same benefit level as an in-network mental health office visit (\$25 copay in FY19-20 for HealthSelect of Texas participants). Beginning July 1, 2021, ERS waived HealthSelect of Texas mental health Virtual Visit copay and coinsurance. Whether a participant pays no or a low copay, this means a participant can connect from any location to talk with a licensed mental health professional.

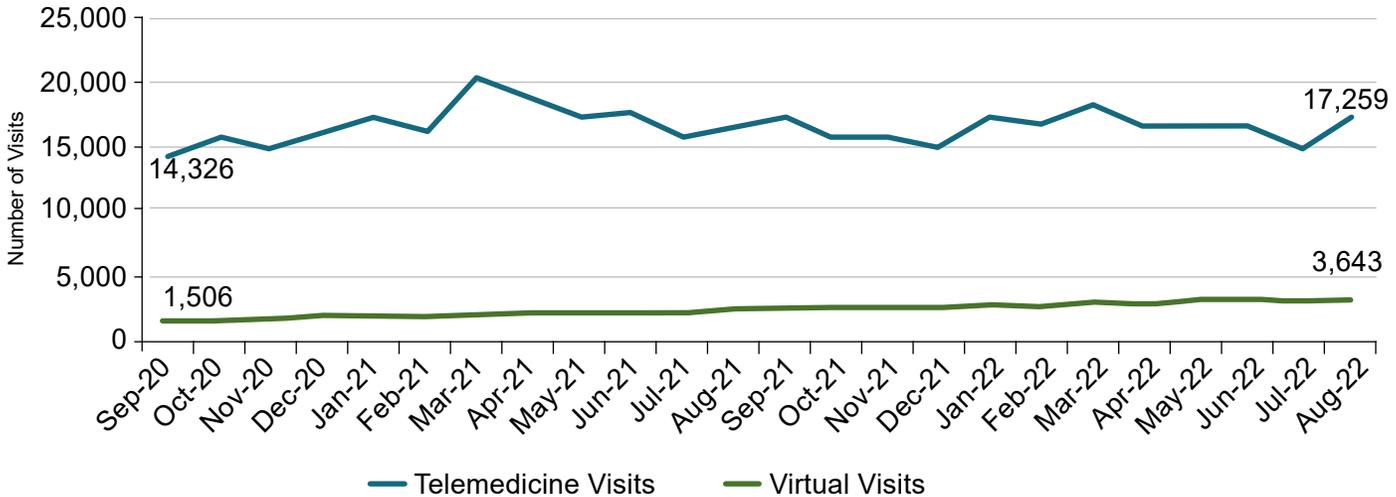
### Resources

HealthSelect participants are encouraged to seek help immediately if experiencing a mental health issue or crisis. Below are available resources:

- Call Doctor On Demand® at (800) 997-6196 (TTY: 711) or MDLIVE® at (800) 770-4622 (TTY: 711) to talk with a licensed mental health professional with a Virtual Visit.
- Anyone can contact the national 988 Suicide and Crisis Lifeline by calling 988 or chatting online at <https://988lifeline.org/>. Trained counselors are available to listen, provide support and connect people to resources 24 hours a day, 7 days a week. For TTY users: dial 711 then 988.
- Anyone in an emergency situation should call 911.

## Mental health telemedicine visits grew during the pandemic and remain strong

Telemedicine (care delivered through a provider's electronic platform) is likely here to stay. The number of mental health telemedicine visits continued to grow throughout the pandemic and outpaced mental health Virtual Visits (those visits using the HealthSelect providers Doctor On Demand and MDLIVE).



---

# Cost Trends

---



...about the  
marketplace

## The projected FY23-25 trend is 6.5% (average annual health plan cost)

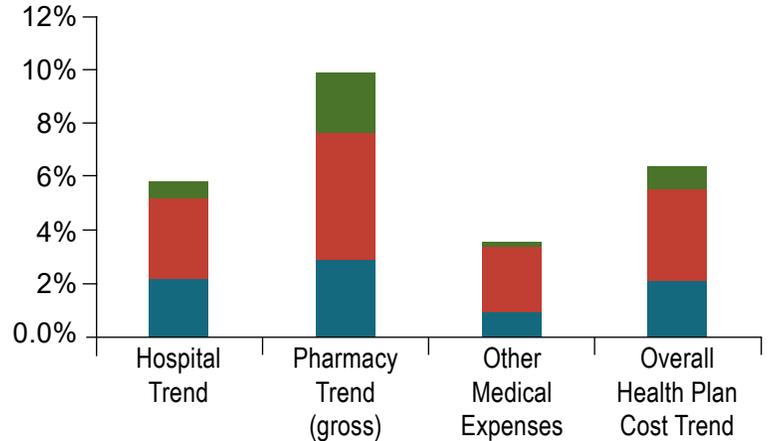
The major components of the projected benefit cost trend are increases in:

- utilization, driven by how often participants 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 plans paying more while member copays stay the same.



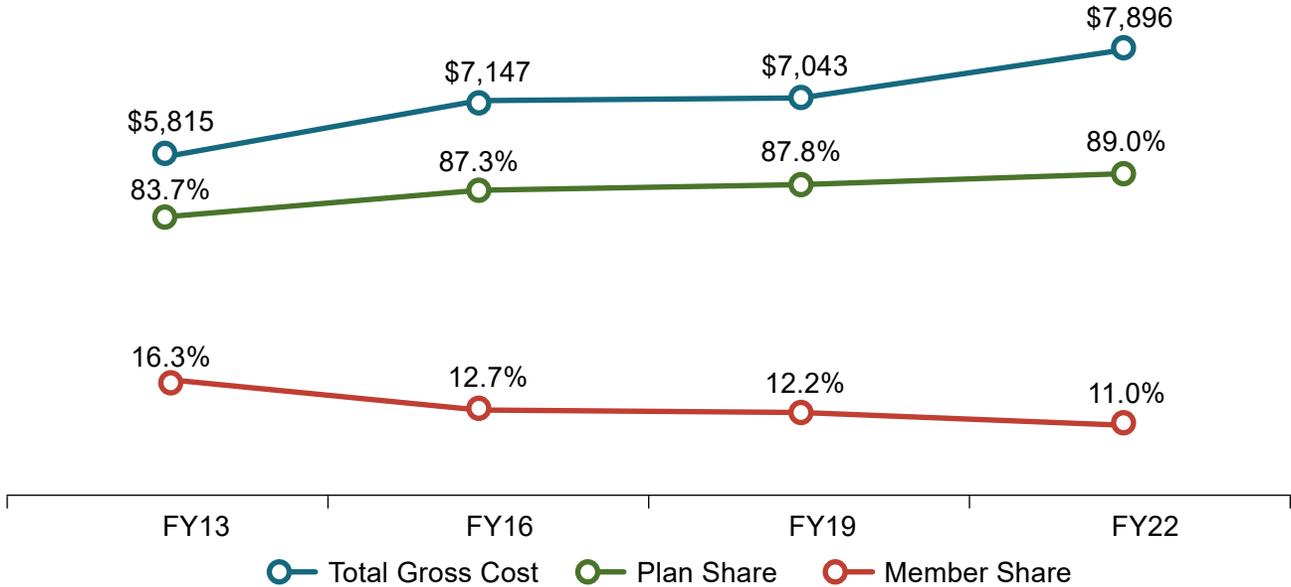
Inflation and utilization are common cost drivers to all plans, not just HealthSelect

## Projected HealthSelect benefit cost trends, FY23-25



- Member Cost Share Leverage (stable plan design)
- Inflation (industry price increase)
- Utilization (increase use of services)

## Overall member cost share remains stable (cost shown per participant)



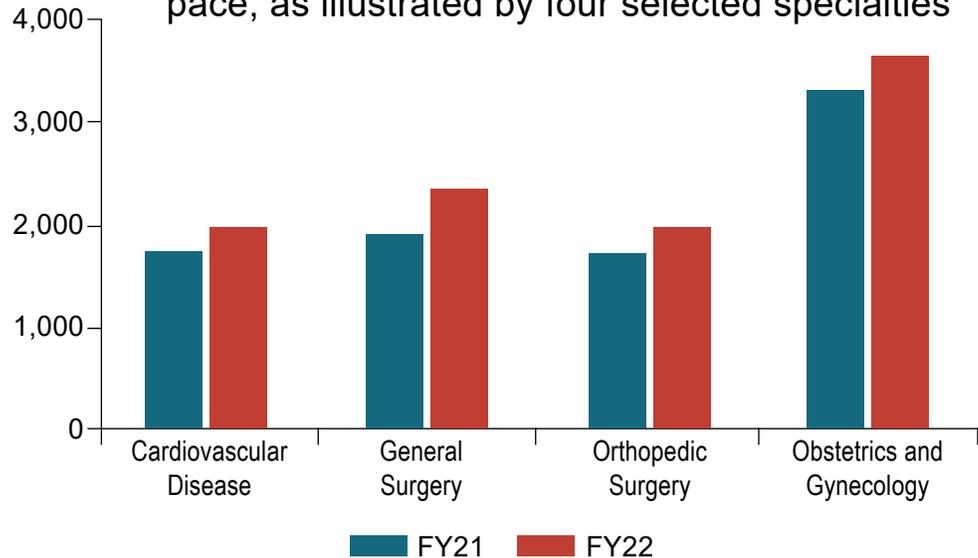
## HealthSelect continues to provide access to a broad, high-quality network

The broad HealthSelect provider network continues to grow, offering participants significant provider choice.

The network now offers 20,291 primary care physicians, up from 18,323 in FY21. The percentage of providers accepting new patients exceeded 94%.

In FY22, participant satisfaction with the network was 90%.

The number of specialists grows at a steady pace, as illustrated by four selected specialties



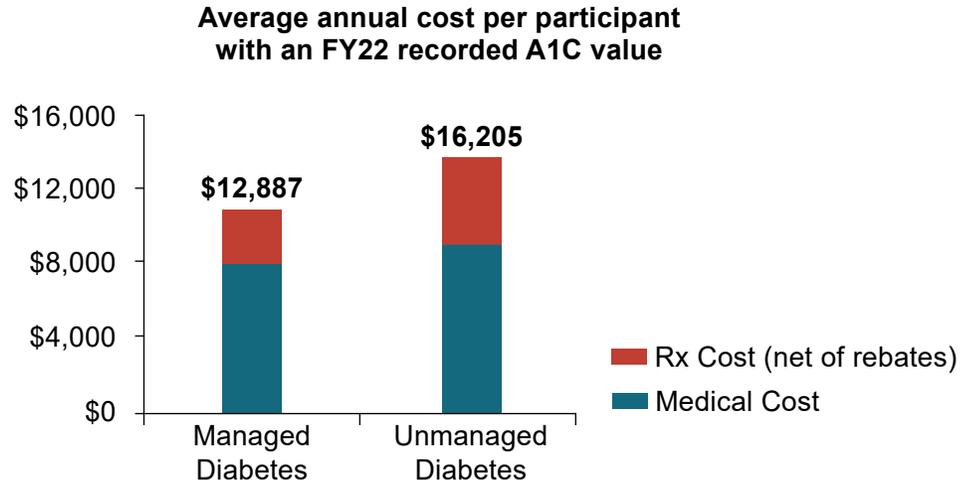
## Managing diabetes helps both the participant and the plan

In FY22, participants with managed diabetes had 17% fewer emergency room visits and 26% fewer inpatient admissions than those with unmanaged diabetes.

A diabetic condition that is not managed drives cost up when it leads to ER visits and hospitalizations.

Managing diabetes with regular check-ups, glucose monitoring and medication adherence help participants enjoy healthier lives.

Those with managed diabetes experience average costs that are 20% less.



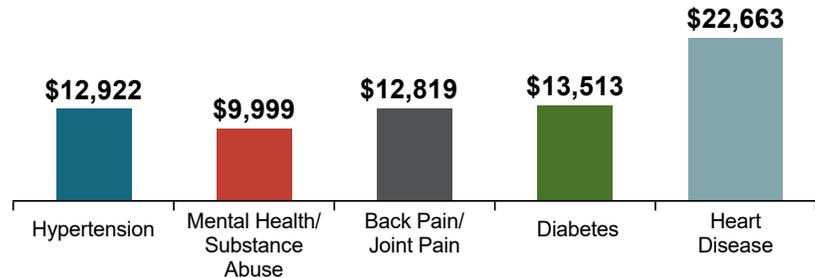
## FY22 costs for a HealthSelect participant living with a chronic condition were higher than the \$6,446 average for all participants

The top 5 most prevalent chronic conditions (percent of participants diagnosed):

- Hypertension: 15%
- Mental Health and Substance Abuse: 19%
- Back and Joint Pain: 19%
- Diabetes: 13%
- Heart Disease: 9%

Note: Participants are counted in each category for which they had a medical claim in FY22. Some may appear in more than one category.

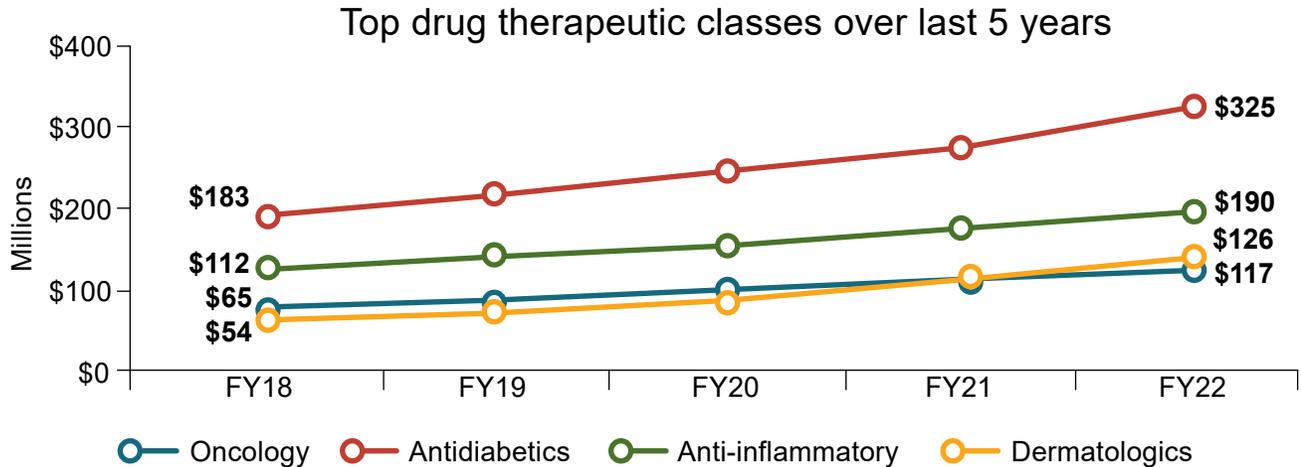
**Average Annual Cost\* of a Participant with Chronic Conditions**  
(includes medical and pharmacy)



\*Average annual cost is the total average annual medical and pharmacy plan spend (net of rebates) for participants with the given condition. Medicare-primary participants are excluded.

## The top 4 highest-cost drug therapeutic classes account for 53% of total drug spend

The diabetic therapeutic class is the largest cost driver within pharmacy spend and includes 4 of the top 10 highest-cost prescription drugs. Factors driving cost increases include drug prices and utilization.

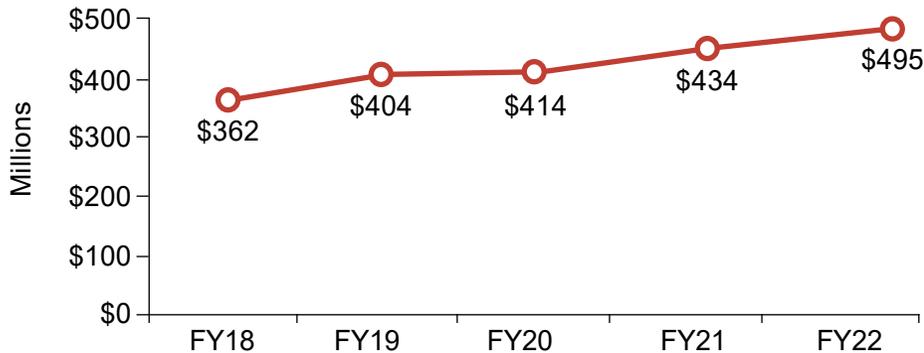


Note: Amounts are gross, not net of rebates.

## Specialty drugs represented 1% of all FY22 prescriptions filled and 35% of total prescription drug costs

The HealthSelect self-funded plans paid \$495 million for approximately 80,000 specialty claims, before rebates.

Specialty drug costs have increased 37% in 4 years



### Top Three Specialty Conditions

- Inflammatory diseases
- Cancers
- Inflammatory skin conditions

Note: Amounts are gross amounts, not net of rebates.

---

# Best Practices

---



...successes and  
new programs  
in FY22

---

## HealthSelectShoppERS<sup>SM</sup> incents smart shopping for in-network medical services and procedures

The 86th Legislature included budget rider language for FY20-21 indicating its intent that ERS implement a shared-savings program to encourage HealthSelect active employees and their non-Medicare dependents to shop for in-network, lower-cost, high-quality healthcare services by sharing the savings with participants. With the HealthSelect of Texas medical and TexFlex flexible spending account administrators, ERS launched HealthSelectShoppERS on September 1, 2020.

This incentive program is available to active employees enrolled in HealthSelect of Texas, HealthSelect Out-of-State and Consumer Directed HealthSelect. Employees can earn up to \$500 each plan year credited to a flexible spending account when they and/or their covered dependents compare prices on certain provider-recommended medical procedures and choose a rewards-eligible location for the procedure.



## HealthSelectShoppERS continues to exceed expectations in second year, FY22

- **46%** of eligible households activated HealthSelectShoppERS (electronically or telephonically) since the program began
- Of those activated, **12%** shopped and received an incentive in FY22
- FY22 gross plan savings: **\$888,550**  
Program-to-date savings (Sept. 1, 2020 - Aug. 31, 2022): **\$1,457,973**
- FY22 incentives earned: **\$133,150**  
Program-to-date incentives: **\$239,950**



---

## HealthSelect and value-based care

### What is value-based care?

Value-based care is a broadly defined term, but simply put, it is the idea of improving quality and outcomes for patients. Instead of focusing solely on treating a patient when already sick (although that will always be important), with value-based care, health care providers also focus on preventing disease and detecting conditions in their earliest stages when they are easier and less expensive to treat. All HealthSelect plans focus on value-based care, which promotes the importance of a primary care physician relationship, ERS wellness initiatives, no-cost preventive strategies and broad access to a high-quality provider network.

### HealthSelect's value-based contracting arrangements

Another component of value-based care involves contracting arrangements with provider payment models that reward quality improvement over volume. In addition to the patient-centered medical homes (PCMHs), newer contracting arrangements are underway – all “in-network” to keep quality high and patient and plan cost low.



## HealthSelect and value-based care (continued)

### Patient-centered medical homes (PCMHs)

The ERS value-based PCMH strategies result in cost savings to the patient and the plan. The PCMH partners focus on a primary care model, also meeting patients' urgent care needs and effectively managing chronically ill and high-risk patients.

From FY11 to FY21, PCMH practices saved the plan \$119.6 million and providers received \$31.1 million in shared-savings payments, in addition to their contracted reimbursements for medical care. FY22 savings have not yet been finalized.

Austin Regional Clinic  
Austin – **24,618**

Austin Diagnostic Clinic P.A.  
Austin – **4,224**

Covenant Health Partners  
Lubbock – **8,580**

Christus Connected Care Network  
Tyler – **5,360**

Amarillo Legacy Medical ACO, LLC  
Amarillo – **2,863**

My Doctor PA  
Huntsville – **5,564**

UMC Health Network, Inc.  
Lubbock – **7,406**

Catalyst Health Network  
Lufkin – **5,246**



**63,861**  
**TOTAL PCMH**  
**PARTICIPANTS**  
**IN FY22**

---

## HealthSelect and value-based care (continued)

### Episodes of Care

An Episode of Care is a condition-focused payment model that groups related healthcare services over a specified period. For example, all costs related to a patient's hip or knee replacement over a period of time are considered an Episode of Care. Through this program, HealthSelect provides incentives for in-network orthopedic doctors to provide superior care to patients receiving hip and knee replacements. ERS has established orthopedic Episode-of-Care arrangements in the Houston, Dallas/Fort Worth and San Antonio areas. Through these arrangements in FY22, 72 participants sought knee replacement services in Houston and Dallas/Fort Worth, and 51 participants sought hip replacement services in those areas. Incentive payments are based on performance in a combination of areas including:

- potentially avoidable complications,
- hospital re-admissions,
- surgeon-controlled complications and
- positive patient experience.

### Bundled Payments

A bundled payment arrangement involves an all-inclusive, flat-fee provider payment inclusive of ALL covered services, including claims for professional, facility, urgent care, and emergency services connected to a total knee or a total hip replacement, including all related services for a 90-day period following surgery. Currently available in the Austin area, ERS has an in-network arrangement that served 44 participants with knee replacement services and 39 participants with hip replacement services in FY22.

---

## “Gold Cards” streamline prior authorizations



On October 1, 2022, certain provisions of HB 3459, passed by the 87<sup>th</sup> Texas Legislature, took effect. Known as the “Texas Gold Card” bill, the new law reduces prior authorization requirements for in-network providers.

Under the law, BCBSTX analyzed a provider’s approval rates for at least five prior authorization requests for a service submitted Jan. 1 - June 30, 2022. If the provider had a 90% or greater final approval rate for a specific service request, they are exempt from requesting prior authorizations for those services for a period of six months. Services are then reviewed every six months.

On Oct. 1, 2022, more than 14,000 HealthSelect of Texas medical plan providers and 103 facilities met the 90% threshold. Nearly 90 providers met the 90% threshold for prior authorizations related to the HealthSelect of Texas prescription drug program.

## HealthSelect virtual visits grew 20% in FY22

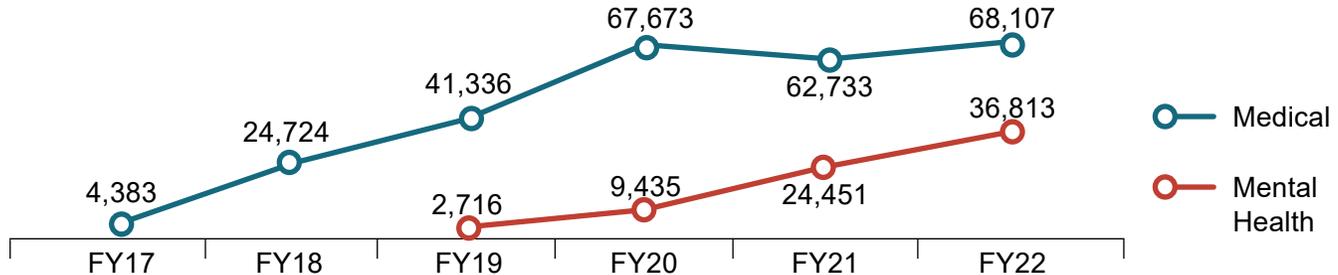
Virtual Visits are those visits received through Doctor On Demand® and MDLIVE® which connect participants with a licensed provider directly through their mobile devices or computers. Virtual Visits also contribute to lower plan costs.

HealthSelect of Texas participants do not pay a copay when using Doctor On Demand or MDLIVE, while those enrolled in Consumer Directed HealthSelect pay a low cost.

Satisfaction ratings remain high:

- Doctor On Demand: 4.9 on a 5-point scale
- MDLIVE: 89% positive

Both medical and mental health Virtual Visits increased



## Wellness: FY22 innovative communication initiatives

ERS Walk & Talk Podcast provides on-demand inspiration and information.



**Goal:** To engage health plan participants and encourage walking as a form of physical activity

**Strategy:** Regular interviews with state employees, researchers and leaders in the field of health and wellness

**FY22 Engagement:** ERS released 28 episodes with an average of 267 downloads per episode. The podcast was played 7,487 times.

ERS shares wellness content with an expansive network of employer-based wellness coordinators.

**Goal:** To engage health plan participants in their health and well-being and connect them with their health benefits

**Strategy:** Monthly toolkits with wellness content – including newsletter articles, social media posts and webinar schedule – for employer-based wellness coordinators to share with their state and higher education employees

**FY22 Engagement:** ERS hosted 33 webinars to educate, inspire and connect 7,667 health plan participants with health and wellness resources, with an additional 2,467 viewings of the recorded versions.

## Wellness: ERS responded to employers' needs in unique ways

### Supporting FY21-22 employer-based healthy lifestyle campaigns

ERS supported three GBP-participating employers aiming to boost their employees' health, well-being and morale with a focus on physical fitness and weight management. By engaging the teams at Wondr Health and BCBSTX, ERS helped employers launch internal wellness campaigns at the end of FY21. The Texas Tech University System and the Texas Department of Criminal Justice boosted enrollment in the Wondr Health weight management program by 1,722 and 2,596, respectively, over the two-year period.



“I am so glad our agency supports a program that has made such an impact on the health of both myself and my coworkers. I greatly encourage everyone in the agency to take advantage of this incredible program.”

– TDCJ employee

---

## Wellness: ERS responded to employers' needs in unique ways (continued)

### Supporting FY22 employer-based wellness visits



ERS supported 10 GBP-participating employers aiming to facilitate annual preventive check-ups for their workforces. ERS enlisted BCBSTX and Catapult Health, a provider of both on-site and virtual preventive check-ups, to deliver convenient, wellness screenings for 2,258 employees across 111 work sites, at no cost to the employees.

For example, in February 2022, ERS invited all state agencies in the Capitol Complex to encourage their employees to get their annual preventive screenings at a weeklong Catapult event hosted by Texas Legislative Council. As a result, 163 employees from various agencies across the complex got their annual screening through Catapult.

### How do they work?

Catapult nurse practitioner visits check cholesterol levels, blood pressure, blood glucose levels, BMI, triglycerides, waist circumference, and screen for depression and anxiety. Although Catapult nurse practitioners do not diagnose conditions, Catapult can share results and recommended care plans with both the employee and their designated PCP. If results are outside of the normal range, the nurse practitioner recommends the patient schedule a follow-up visit with their PCP.

## AMP wellness campaign

A

Assess with  
online health  
assessments

M

Manage with weight  
management  
programs

P

Prevent with  
annual preventive  
screenings

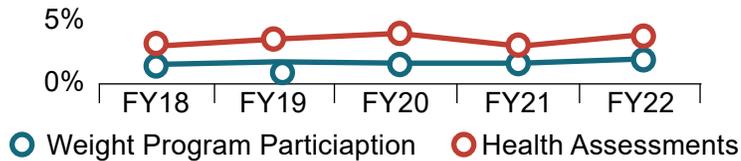
ERS launched the AMP wellness campaign in FY18 to decrease the prevalence of major chronic conditions, improve participants' general quality of life and reduce long-term health costs for the plan and state. ERS engages state employers – both leadership and wellness coordinators – to share insights on the unique health challenges and engagement levels of their workforce and wellness resources of the GBP health plans.

ERS tracks the following three participation metrics among health plan participants and provides the metrics to state employer leadership.

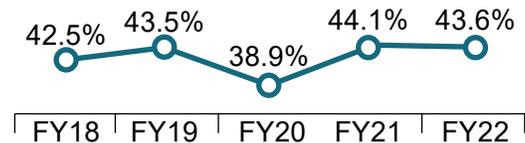
- Online health assessments
- Weight management programs
- Annual preventive screenings

Overall participation in the AMP wellness activities remains low, which provides continued opportunity for improved engagement and promotion of these benefits.

Total Participation (age 18+): Assess & Manage



Total Participation: Preventive Visits



---

## **Group Benefits Advisory Committee (GBAC) brings stakeholder perspectives to the GBP**

The GBAC advises ERS staff and the ERS Board of Trustees on the planning and development of employee and retiree GBP benefits. The Committee provides input from ERS participants, employers, industry experts and health care professionals to ensure that state benefits continue to offer value to participants and employers and remain competitive at a reasonable cost to the state, employees, retirees and their dependents.

The Board has appointed 11 members to the Committee, including employees and retirees from GBP-participating state agencies and higher education institutions of different sizes and areas of the state.

The Committee meets twice a year to discuss a variety of topics and trends in employee benefits. In FY22, the Committee discussed the following topics, among others: the future of telehealth's impact on access to healthcare, the importance of engaging participants in wellness programs, the report on alternative methods for delivery of current GBP benefits and potential modernization of certain HealthSelect obesity benefits.

The Committee supported staff's continued analysis of potential changes to health and life insurance programs, such as modernizing pharmacy benefits for treatment of obesity and increasing basic and optional life insurance coverage levels for plan participants. ERS staff will continue to review the feasibility and impact of these potential changes.

## ERS holds regular Solution Sessions to consider new ideas

ERS reviews the products and services presented as part of these Solution Sessions against current needs, market conditions, duplication of services, industry best practices and cost considerations

Entity	Presentation Date	Description of Product/Service
TheraNow	October 21, 2021	Offers well-being, health advocacy and virtual rehabilitation products, including musculoskeletal care
4C Health Solutions	March 24, 2022	Offers a suite of solutions to improve healthcare payment efficiencies and controls

---

# Cost Management and Fraud Prevention

---

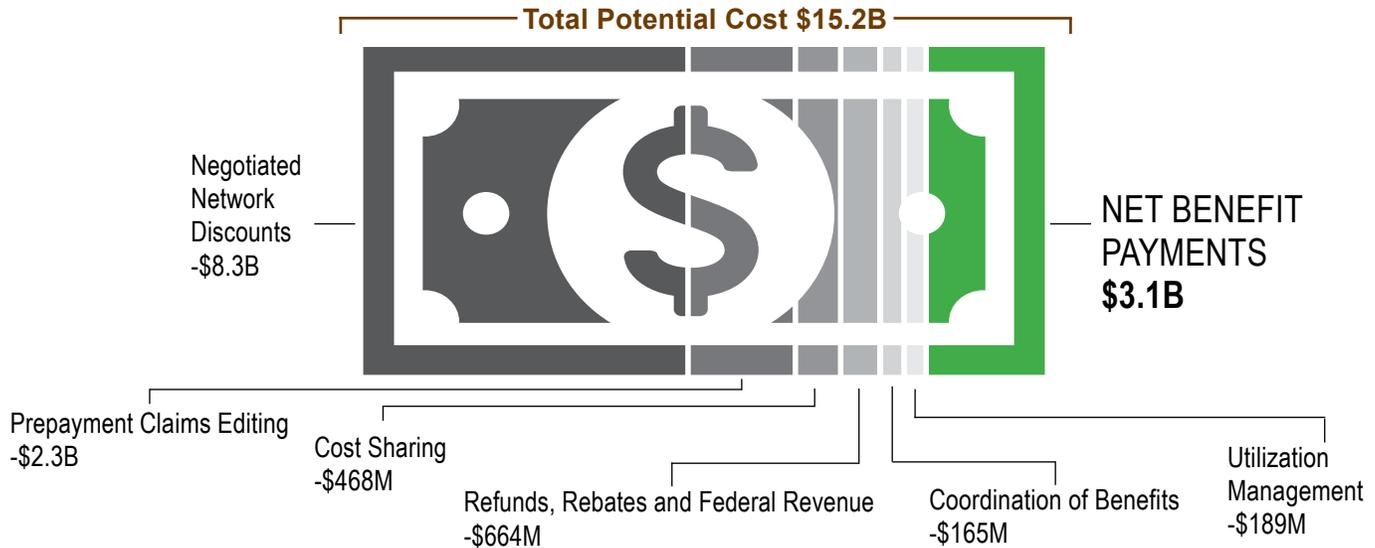


...about our strategies

## HealthSelect reduced potential plan cost by \$12.1 billion in FY22

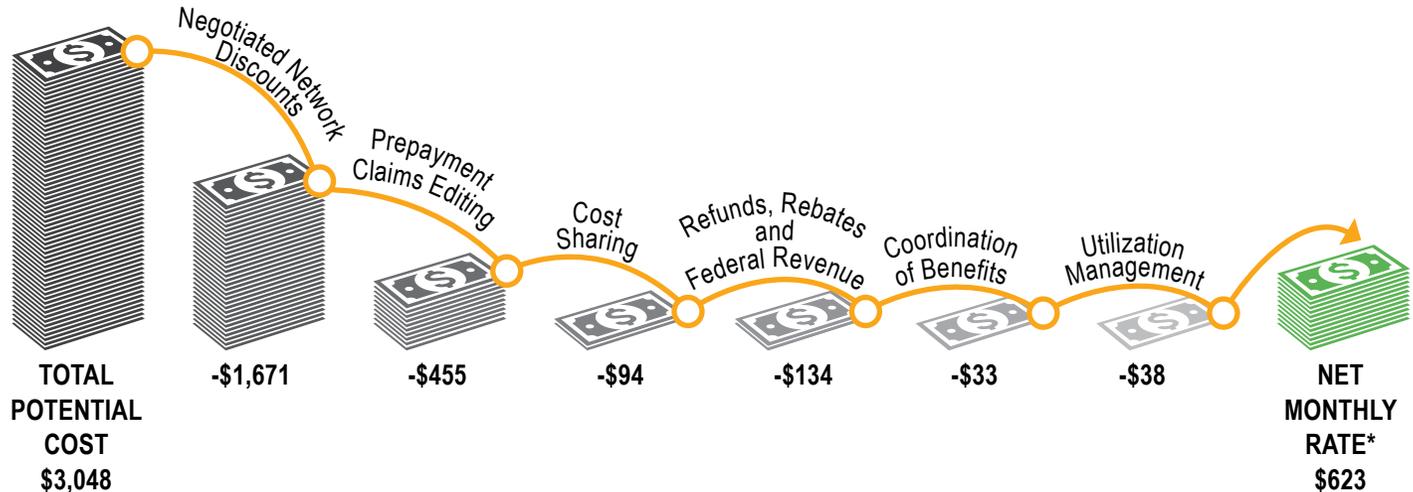
Employee health insurance provided through the self-funded HealthSelect plans cost the State of Texas and members \$3.1 billion in FY22 – so it's important to get the most out of every dollar.

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



## Without cost management, the HealthSelect rates would be almost 5 times higher

For example, for FY22 the member-only coverage rate was roughly \$623 per month. Without cost management programs, the rate would have been \$3,048 per month.



\*This amount does not include the cost for Basic Term Life Insurance coverage included with member health coverage.

## Cost management and cost containment detail for HealthSelect self-funded plans

1. Considered Charges Plus Estimated Cost Avoided		\$	<b>15,176,444,744</b>
2. Estimated Cost Avoided			(188,572,844)
3. Considered Charges			<b>14,987,871,900</b>
4. Less Ineligible Charges (Prepayment Claims Editing)			(2,267,602,442)
5. Eligible Charges			<b>12,720,269,458</b>
6. Less Reductions to Eligible Charges			
a. Prescription drug program (PDP) Charge Reductions	\$	1,767,470,280	
b. Provider Discounts and Reductions		6,554,329,990	
c. Medical Copayments and Deductibles		126,487,323	
d. Medical Coinsurance		203,003,648	
e. PDP Cost Sharing		138,679,326	
f. Coordination of Benefits - Medical - Regular		6,959,185	
g. Coordination of Benefits - Medical - Medicare		157,027,978	
h. Miscellaneous Medical Reductions		1,490,090	(8,955,447,820)
7. Gross Benefit Payments		\$	<b>3,764,821,638</b>

---

## 8. Less Refunds, Rebates and Federal Revenue

a. PDP Rebates	\$	545,549,032	
b. Federal Revenues - Medicare Part D		113,120,551	
c. Subrogation Recoveries		5,802,950	(664,472,533)
9. Net Benefit Payments			\$ 3,100,349,105

### Data sources:

- (1) Annual Experience Accounting report prepared by BCBSTX
- (2) Annual Experience Accounting report prepared by PBM
- (3) HealthSelect Prescription Drug Program data
- (4) ERS FY22 Annual Comprehensive Financial Report (Federal Revenues)
- (5) ERS GBD (BCBSTX Capitation Payments)
- (6) ERS Legal (Subrogation Recoveries)

## Utilization and care management, telemedicine, Virtual Visits and other programs avoided more than \$189 million in plan costs

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

1. Considered charges plus estimated cost avoided	\$15,176,444,744
2. Estimated cost avoided due to utilization and care management	(\$188,572,844)
3. Considered charges	\$14,987,871,900



A word cloud of medical conditions including heart, diabetes, neonatal, transplant, services, disease, kidney, organ, cancer, asthma, bariatric, and maternity. The words are arranged in a cluster, with 'heart' and 'cancer' at the top, 'diabetes' and 'neonatal' in the middle, and 'transplant', 'services', 'kidney', and 'organ' at the bottom. 'asthma', 'bariatric', and 'maternity' are oriented vertically on the right side.

## Prepayment claims editing prevented nearly \$2.3 billion in unnecessary payments

### Line 4: Prepayment claims editing

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

This process removes duplicate claims, eliminates charges that exceed contractual limits, and ensures that HealthSelect pays eligible claims only.

3. Considered charges	\$14,987,871,900
4. Less charges eliminated through prepayment claims editing	(\$2,267,602,442)
5. Eligible charges	\$12,720,269,458

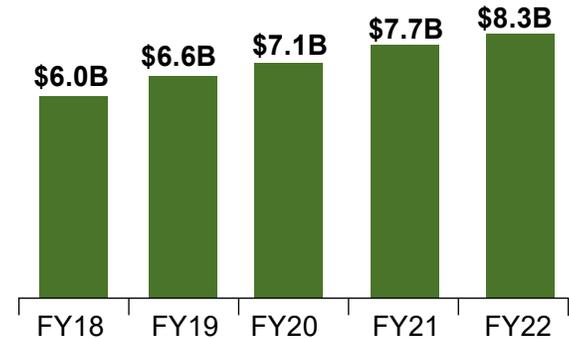
## Negotiated network discounts lowered the plan's costs by \$8.3 billion

### Lines 6a and 6b: Negotiated network savings

ERS leverages HealthSelect's marketplace strength by negotiating discounts off the billed charges that otherwise would have been paid for services in the absence of a strong network with negotiated discounts.

Negotiated network savings	
6a. Prescription drug program charge reductions	(\$1,767,470,280)
6b. Medical provider discounts and reductions	(\$6,554,329,990)
<b>Subtotal</b>	<b>(\$8,321,800,270)</b>

Negotiated network discounts lowered the state's cost by nearly \$36 billion over five years



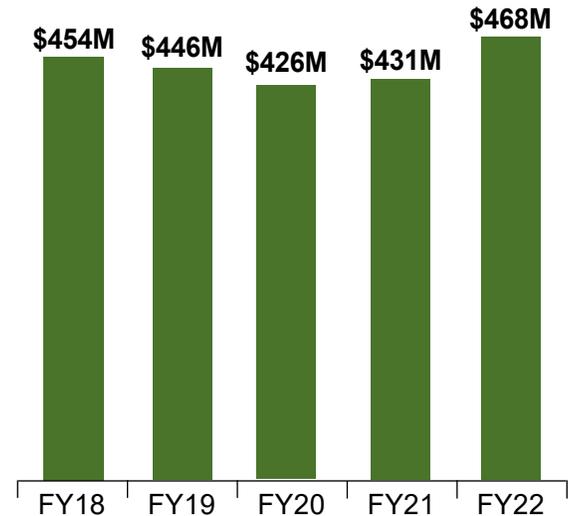
## Participants paid \$468 million in deductibles, copays and coinsurance

### Lines 6c-6e: Participant cost sharing

Cost sharing encourages participants to more actively engage in their own health care. HealthSelect pays 100% of eligible in-network preventive care services.

Participant cost-sharing savings	
6c. Medical copayments and deductibles	(\$126,487,323)
6d. Medical coinsurance	(\$203,003,648)
6e. PDP cost-sharing	(\$138,679,326)
<b>Subtotal</b>	<b>(\$468,170,297)</b>

Even with rising healthcare costs, member out-of-pocket cost remains steady



## The HealthSelect plans saved \$165 million by coordinating benefits

### Lines 6f-6h: Coordination of benefits

- When a participant has another source of health insurance, HealthSelect coordinates benefits with the other payer to ensure the appropriate plan pays first.
- For example, when a retiree enrolls in Original Medicare, Medicare is the primary payer and the GBP becomes the secondary payer. This means HealthSelect pays eligible medical expenses only after Medicare processes the claim.

*Note: Different rules apply to Medicare Advantage plans.*

Coordination of benefits savings	
6f. Coordination of benefits - medical – regular	(\$6,959,185)
6g. Coordination of benefits - medical – Medicare	(\$157,027,978)
6h. Miscellaneous Medical Reductions	(\$1,490,090)
<b>Subtotal</b>	<b>(\$165,477,253)</b>

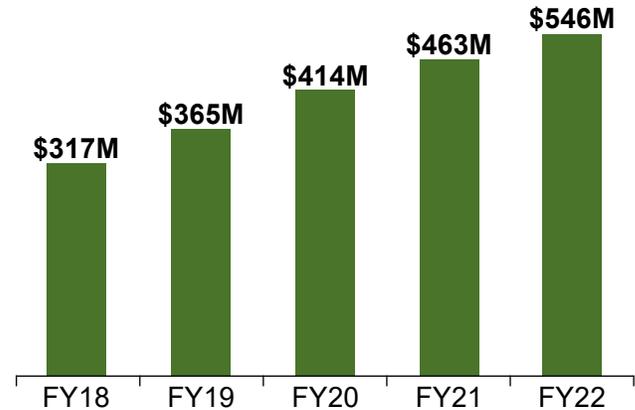
## HealthSelect lowered cost by \$546 million through prescription drug rebates

### Line 8a: Prescription drug program (PDP) rebates

- Prescription drug rebates continued to grow.
- Through arrangements with drug manufacturers, the HealthSelect pharmacy benefit manager (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	(\$545,549,032)
<b>Subtotal</b>	<b>(\$545,549,032)</b>

### PDP rebate savings

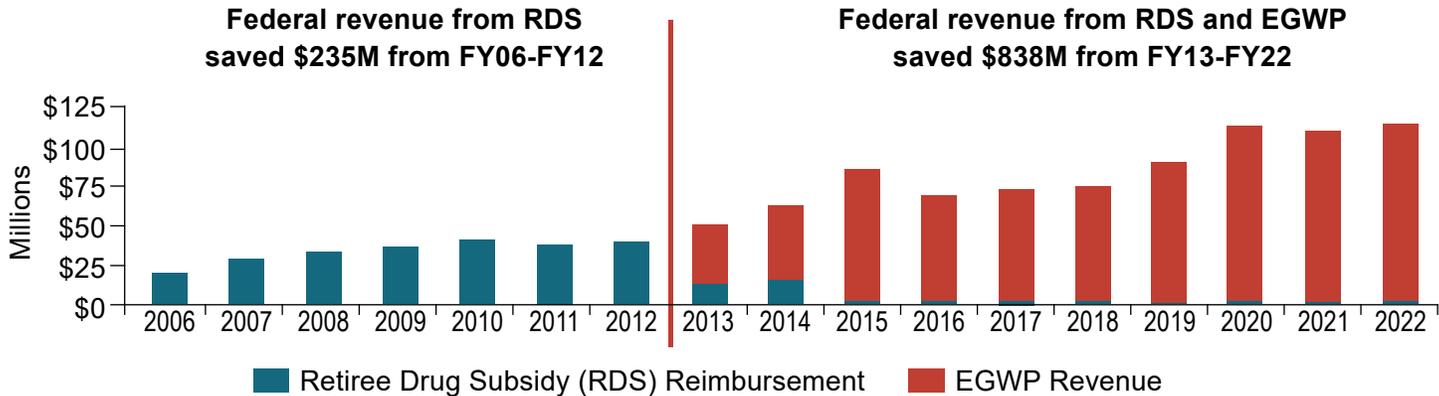


PDP rebates include payments of \$469M under the Medicare Part D Coverage Gap Discount Program from 2013-2022.

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

Line 8b: Federal revenue

Medicare Part D savings	
8b. Federal revenue – Medicare Part D	(\$113,120,551)
<b>Subtotal</b>	<b>(\$113,120,551)</b>



**Under Medicare Part D**, the HealthSelect plan collected \$1.1 billion in total federal revenue since 2006. Medicare participants have a ‘wraparound’ plan that provides benefits that are similar to those provided to other HealthSelect participants.

---

## Fraud investigations are a focus for all HealthSelect plans

ERS' Actuarial and Reporting Services (ARS) team regularly monitors the financial performance of plans and identifies underlying causes if actual experience differs from expected results. The ARS team reviews detailed claims data to find outliers and anomalies that identify savings opportunities. If the team discovers an issue, they take action. For instance, in the past, ERS has modified the prescription drug formulary to address fraud concerns.

The **BCBSTX Special Investigations Department (SID)** detects and investigates providers and health care fraud schemes through proactive data analysis, hotlines, information sharing and collaboration with other BCBS Plans, other insurers and law enforcement. SID has a dedicated Data Intelligence Unit, a Clinical Team and Investigative Groups, which streamline BCBSTX's approach to reducing health care fraud.

Advanced data analysis used to identify potential fraud includes artificial intelligence/machine learning, predictive modeling, and other techniques that identify unusual billing patterns and abuse of certain service codes.

Possible actions resulting from investigations include:

- provider education,
- removal from the network,
- review and/or revision of medical and prescription drug policy,
- changes to the claims processing system and
- overpayment recovery.

SID also refers fraud and abuse to law enforcement for possible criminal prosecution. The plans work diligently to identify new schemes for fraud, waste and abuse.

---

## Fraud investigations are a focus for all HealthSelect plans (continued)

The **Optum Rx Pharmacy Network Audit Team** has an aggressive and sophisticated Fraud, Waste & Abuse (FWA) program that includes investigative audits. These audits employ specialized techniques designed to identify and document likely fraudulent activity including specialized analytics, member and prescriber verification letters, purchase verifications, on-site visits and more. The goal is to reduce FWA through prevention, detection and correction.

Analysts with BCBSTX and Optum Rx are constantly adapting models to identify new medical and prescription fraud schemes, which helps to control costs while keeping participants healthy.

Examples of identified fraudulent activity include billing for medically unnecessary or improperly documented services, experimental/investigational/unproven procedures, inflated hours, services not rendered and services for provider family members.

ERS also contracts with an external auditor for the annual audit of the TPA's performance related to:

- contract requirements,
- adherence to the Master Benefit Plan Document,
- the TPA's internal standards,
- industry standards and
- previous year audit results.

---

# Performance Monitoring

---



...about our  
program oversight

## Participant satisfaction with the GBP plans

GBP Name	TPA/insurer	Year	Satisfaction Rating
HealthSelect of Texas medical plans	BCBSTX	FY22	88%
HealthSelect Prescription Drug Program (PDP)	Optum Rx	FY22	97%
State of Texas Dental Choice PPO	Delta Dental	FY22	88%
Dental HMO	DeltaCare® USA	FY22	89%
State of Texas Vision	Superior Vision	FY22	89%
TexFlex	Payflex	FY22	79%
Texas Income Protection Plan	ReedGroup	CY21	87%
HealthSelect MA PPO	UnitedHealthcare®	CY21	98%
HealthSelect Medicare Rx (EGWP)	UnitedHealthcare®	CY21	98%

Some plans are based on fiscal year, while others are based on the calendar year

---

## Performance reporting, FY22

### About GBP contractual performance guarantees

- A performance guarantee (PG) is connected to a business-critical service function(s) required of a vendor throughout the contract period.
- PG metrics are formulated from regulatory standards and industry best practices. Each PG is then risk-rated using risk assessment modeling and given a PG severity level.
- Severity levels identify the basis for the assessment amount in the event of PG noncompliance. Severity levels are:
  - Severity 1: Emergency
  - Severity 2: Critical
  - Severity 3: Moderate
  - Severity 4: Minor
- A noncompliant performance metric may require corrective action.

ERS has a formal process for the review, oversight, and enforcement of performance guarantees to ensure consistency of contracting decisions. An escalated review process is an additional measure to ensure the Executive Office approves the final enforcement of contractual performance issues.

---

## Performance reporting, FY22

Overall, FY22 GBP vendor contract compliance remains high.

For this reporting period:

- Five vendors had only minor or moderate issues.
  - One moderate issue is under review.
- Two vendors had a critical issue.
  - One issue is under review.
  - One issue managed through vendor's operational process resolved.
- One vendor experienced an emergency issue connected to data file processing.

CY21 GBP vendor contract compliance remains high.

For this reporting period:

- One vendor met all performance standards.
- One vendor had one critical issue.
- One vendor experienced, emergency, moderate and minor issues.

The next pages provide information about FY22 and CY21 GBP vendor performance results with PG assessments.

## Performance reporting, FY22

Blue Cross and Blue Shield of Texas administers the HealthSelect of Texas and Consumer Directed HealthSelect medical plans

Severity Level	PG Category	Performance Results	PG Assessments	PG Requirement	PG Actual
2	Critical PGs	<b>1 period of noncompliance</b> (1 of 12 months)	<b>Mail out of identification cards, initial</b> 1 PG waived	100% per month	93.17%
4	Minor PGs	<b>1 period of noncompliance</b> (1 of 12 months)	<b>Mail out of identification cards, re-issues</b> 1 PG waived	100% per month	99.52%

## Performance reporting, FY22

UnitedHealthcare® Services Inc. (Optum Rx) administers the self-funded HealthSelect Prescription Drug Program (PDP)

Severity Level	PG Category	Performance Results	PG Assessments	PG Requirement	PG Actual
4	Minor PGs	<b>1 period of noncompliance</b> (1 of 4 quarters)	<b>Interval service level (calls answered)</b> 1 PG assessed	80% within 30 seconds, quarterly	78.70%

## Performance reporting, FY22

Delta Dental administers the self-funded State of Texas Dental Choice Plan, a dental preferred provider organization (PPO) available nationwide

Severity Level	PG Category	Performance Results	PG Assessments	PG Requirement	PG Actual
4	Minor PGs	1 period of noncompliance (1 of 4 months)	Annual enrollment attendance 1 PG assessed	100% per month	60.00%

## Performance reporting, FY22

DeltaCare® USA administers the fully insured dental HMO (DHMO), available in Texas

Severity Level	PG Category	Performance Results	PG Assessments	PG Requirement	PG Actual
2	Critical PGs	1 period of noncompliance (FY22)	<b>Provider turnover rate</b> 1 PG under review	<10% turnover rate, fiscal year	Pending (PG under review)
3	Moderate PGs	1 period of noncompliance (1 of 12 months)	<b>Accurate claims processing</b> 1 PG assessed	> 99.00% monthly	98.00%
4	Minor PGs	1 period of noncompliance (1 of 4 months)	<b>Annual enrollment attendance</b> 1 PG assessed	100% monthly	60.00%

## Performance reporting, FY22

Superior Vision administers the self-funded State of Texas Vision<sup>SM</sup> Plan.

Severity Level	PG Category	Performance Results	PG Assessments	PG Requirement	PG Actual
4	Minor PGs	1 period of noncompliance (1 of 12 months)	Reporting requirements 1 PG assessed	100% monthly	66.67%

## Performance reporting, FY22

Minnesota Life Insurance Company is the carrier for Basic and Optional Term Life, Accidental Death and Dismemberment (AD&D) and Voluntary AD&D insurance.

Severity Level	PG Category	Performance Results	PG Assessments	PG Requirement	PG Actual
3	Moderate PGs	<b>1 period of noncompliance</b> (1 of 12 months)	<b>Timely claims processing</b> 1 PG assessed	100% processed within TDI processing standards	99.73%

## Performance reporting, FY22

Payflex administers the TexFlex flexible spending program.

Severity Level	PG Category	Performance Results	PG Assessments	PG Requirement	PG Actual
1	Emergency PGs	<b>1 period of noncompliance</b> (1 of 12 months)	<b>Load and process files, transactions</b> 1 PG waiver	100% monthly	88.00% 09-2021
3	Moderate PGs	<b>1 period of noncompliance</b> (1 of 12 months)	<b>Accurate claims processing</b> 1 PG assessed	> 99.00% accuracy, monthly	98.04% 10-2021
		<b>4 periods of noncompliance</b> (4 of 12 months)	<b>Timely claims processing</b> 4 PGs assessed	> 98.00%, 3 days	97.50% 11-2021 42.64% 12-2021 17.99% 01-2022 18.18% 02-2022
		<b>1 period of noncompliance</b> (1 of 12 months)	<b>Plan Specific File Reporting</b> 1 PG under review	100% monthly	<100% 05-2022

## Performance reporting, FY22

### Payflex (continued)

Severity Level	PG Category	Performance Results	PG Assessments	PG Requirement	PG Actual
4	Minor PGs	<b>2 periods of noncompliance</b> (2 of 12 months)	<b>Communication materials</b> 2 PGs assessed	100% monthly	99.00% 10-2021 50.00% 12-2021
		<b>2 periods of noncompliance</b> (2 of 12 months)	<b>Debit card mail out rate</b> 2 PGs assessed	100%, < 7 business days, monthly	98.00%
		<b>3 periods of noncompliance</b> (3 of 4 quarters)	<b>Interval service level (calls answered)</b> 3 PGs assessed	80% within 30 seconds, quarterly	1Q FY22 76.96% 2Q FY22 62.72% 4Q FY22 61.70%

---

## Performance reporting, CY21

UnitedHealthcare® administers HealthSelect Medicare Advantage Plan (MA-PPO) available to Medicare-enrolled retirees and their Medicare-enrolled dependents

All performance standards were met without any PG assessments.

## Performance reporting, CY21

UnitedHealthcare® Services Inc. administers the HealthSelect Medicare Rx EGWP + Wrap Plan available to Medicare-enrolled retirees and their Medicare-enrolled dependents

Severity Level	PG Category	Performance Results	PG Assessments	PG Requirement	PG Actual
2	Critical PGs	1 period of noncompliance (1 of 12 months)	Identification cards mail out rate 1 PG waived	100%, 7 days of CMS' acceptance	99.40%, 7 days of CMS' acceptance

## Performance reporting, CY21

Reed Group Management, LLC administers the optional self-insured short-term and long-term disability insurance coverage (TIPP)

Severity Level	PG Category	Performance Results	PG Assessments	PG Requirement	PG Actual
1	Emergency PGs	<b>1 period of noncompliance</b> (1 of 4 quarters)	<b>System Availability</b> 1 PG assessed (reduced amount)	99.70%	99.20% 3Q CY21
3	Moderate PGs	<b>3 periods of noncompliance</b> (3 of 4 quarters)	<b>Accurate claims processing</b> 3 PGs assessed	98.00% quarterly	96.44% 1Q CY21 97.15% 2Q CY21 97.00% 4Q CY21
		<b>1 period of noncompliance</b> (1 of 4 quarters)	<b>Timely claims processing</b> 1 PG assessed	99.00% quarterly	96.67% 4Q CY21
4	Minor PGs	<b>1 period of noncompliance</b> (1 of 12 months)	<b>Reporting requirements</b> 1 PG assessed	100% monthly	87.50% 02-2021
		<b>2 periods of noncompliance</b> (2 of 4 quarters)	<b>Interval service level (calls answered)</b> 2 PGs assessed	85% within 30 seconds, quarterly	54.40% 3Q CY21 67.10% 4Q CY21

---

# Appendix

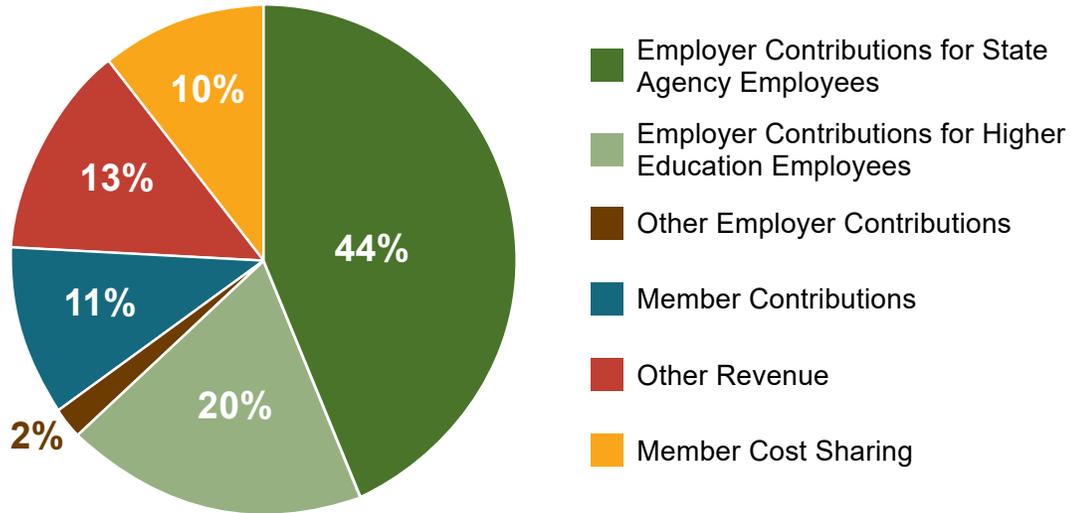
---



## Financial Tables Legislative Update Looking ahead to FY23

## Who pays for GBP health care benefits?

Fiscal Year 2022



## GBP FY22 cost by health plan

Costs shown below reflect FY22 incurred claims, net of rebates and subsidies. The Cost Containment section of this report includes amounts based on FY22 paid claims, some of which were incurred prior to FY22.

	Medical Cost	Pharmacy Cost	Administrative Cost	Total
HealthSelect self-funded plans*	\$2,316,770,604	\$549,941,465	\$55,239,137	<b>\$2,921,951,207</b>
Medicare Advantage PPO – UnitedHealthcare®	\$43,562,683	\$127,247,516	\$9,732,089	<b>\$180,542,288</b>
<b>Total for all GBP Health Plans</b>	<b>\$2,360,333,288</b>	<b>\$677,188,981</b>	<b>\$64,971,226</b>	<b>\$3,102,493,494</b>

\*HealthSelect self-funded plans include HealthSelect of Texas, Consumer Directed HealthSelect, HealthSelect Out-of-State and HealthSelect Secondary Pharmacy cost is reduced to account for revenue returned through drug rebates and Medicare Part D subsidies.

## GBP cost by program, FY22

Optional Program	FY22 Administrative Costs
TexFlex	\$847,369
State of Texas Dental Choice	\$4,049,278
DeltaCare® USA DHMO	\$1,543,521
State of Texas Vision	\$968,459
Life insurance plans (all)	\$2,851,457
Texas Income Protection Plan (disability insurance)	\$5,460,622

## Projected annual average health care cost trend for FY23-25

Category	Increased Use of Service	Provider Price Increases	Maintenance of Member Share	Total
<b>Hospital</b>	2.3%	3.0%	0.6%	5.9%
<b>Other Medical Services</b>	1.0%	2.4%	0.2%	3.6%
<b>Gross Pharmacy (without rebates)</b>	3.0%	4.8%	2.2%	10.0%
<b>Total</b>	2.2%	3.4%	0.9%	6.5%

## GBP health plans financial status

Summary of Actual and Projected* Health Plans Experience (through September 2022)											
\$Millions											
	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	
					Projected						
<b>Revenue</b>											
State Contributions	\$2,947.9	\$2,989.8	\$2,987.2	\$2,936.1	\$2,942.8	\$3,001.6	\$3,063.1	\$3,100.4	\$3,139.4	\$3,180.3	
Member Contributions	505.0	504.5	490.3	469.7	467.0	476.3	486.1	492.0	498.2	504.7	
Other Revenue	588.7	617.2	655.2	582.9	836.1	870.9	923.4	973.7	1,022.0	1,068.2	
<b>Total Revenue</b>	<b>\$4,041.6</b>	<b>\$4,111.5</b>	<b>\$4,132.7</b>	<b>\$3,988.7</b>	<b>\$4,245.9</b>	<b>\$4,348.8</b>	<b>\$4,472.6</b>	<b>\$4,566.1</b>	<b>\$4,659.6</b>	<b>\$4,753.2</b>	
<b>Health Care Expenditures</b>	<b>\$3,389.4</b>	<b>\$3,507.9</b>	<b>\$3,726.2</b>	<b>\$3,800.0</b>	<b>\$4,137.7</b>	<b>\$4,546.2</b>	<b>\$4,977.5</b>	<b>\$5,385.4</b>	<b>\$5,832.6</b>	<b>\$6,324.3</b>	
Net Gain (Loss)	\$652.2	\$603.6	\$406.5	\$188.7	\$108.2	(\$197.4)	(\$504.9)	(\$819.3)	(\$1,173.0)	(\$1,571.1)	
Fund Balance	\$2,093.3	\$2,696.9	\$3,103.4	\$3,292.1	\$3,400.3	\$3,202.9	\$2,698.0	\$1,878.7	\$705.7	(\$865.4)	
<b>Other Expenses Incurred Outside of the GBP Fund</b>											
Member Cost Sharing	\$472.3	\$443.7	\$448.1	\$468.2	\$470.2	\$479.6	\$489.4	\$495.3	\$501.6	\$508.1	

\*Assuming per capita funding remains at the FY23 level through FY28

---

## Updates from the 87th legislative session

- **Senate Bill 1** – maintained funding levels for state employee, retiree and dependent health care coverage
  - **Review and Report Alternative Delivery Methods** – General Appropriations Act ERS Rider #17 required the agency to engage a third-party vendor to examine alternative methods to deliver the current benefits supplied under the GBP. Following a procurement process, the Board of Trustees selected Willis Towers Watson as the vendor to assist ERS with this analysis. The [report](#) was submitted to the Legislature on Aug. 31, 2022.
  - **Data sharing with other state agencies** – ERS continues to work with the Health and Human Services Commission, the Texas Department of State Health Services, Teacher Retirement System of Texas and the Texas Department of Criminal Justice in the development of a system for sharing health care cost data among state-funded programs. HHSC submitted a joint biennial report on the status of the project on Sept. 1, 2022.
- **Senate Bill 827** – limits member cost share for insulin to \$25 per prescription per month for a 30-day supply, effective Sept. 1, 2022. Although not required by statute, ERS extends the same \$25 insulin price cap to the HealthSelect Medicare Part D plan, a greater benefit than the required federal \$35 cap that became effective Jan. 1, 2023.
- **Senate Bill 1065** – requires ERS health plans to cover diagnostic imaging (mammograms, ultrasound and MRI) to detect breast cancer and abnormalities in the breast for those with a personal history of breast cancer effective Sept. 1, 2022.

---

## Updates from the 87th legislative session (continued)

- **House Bill 3459** – establishes a review process under which a provider who has a 90% prior authorization approval rate for a particular health care service for the prior six months is exempt from prior authorization requirements for that particular health care service procedure, effective Jan. 1, 2022
- **House Bill 2090** – requires the Texas Department of Insurance to create a Texas all payer claims database with an advisory group, which includes ERS as a member. Additionally, effective Sept. 1, 2024, all health benefit plans will be required to create a public self-service cost estimator tool with accurate cost estimates for in-network, out-of-network, preventive and non-preventive procedures.

ERS staff monitor health care-related legislation to identify and analyze the impact to the administration, benefit structure and funding for the GBP plans.