

Texas Employees Group Benefits Program Annual Report FY20

Employees Retirement System of Texas

FEBRUARY 2021



ERS[®]
EMPLOYEES RETIREMENT
SYSTEM OF TEXAS

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Overview



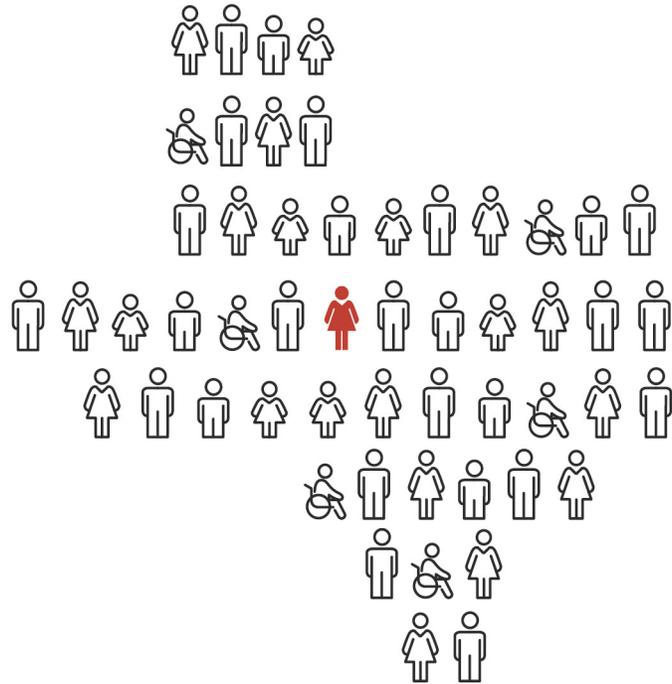
FY20 highlights

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

That's one in 53 Texans!

The number of state agency and higher education employees, retirees and their family members enrolled in GBP benefits almost equals the population of the City of El Paso!

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



HealthSelectSM insurance premium contribution rates remained steady

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

Texas Legislature			ERS Board of Trustees	
Eligibility	Contribution Strategy	Appropriations	Professional Management	Plan Design
Who is eligible for insurance coverage	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

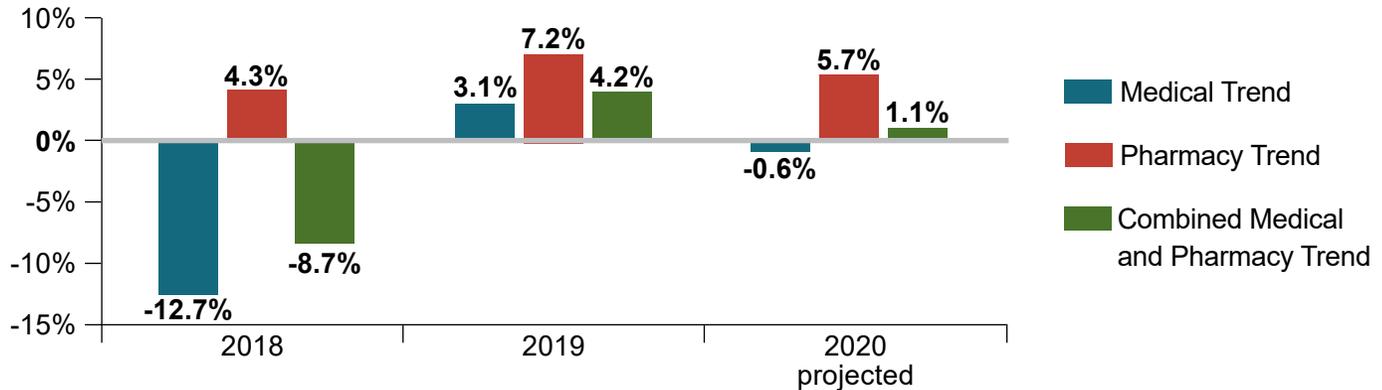
The current third-party administrator (TPA) and pharmacy benefit manager (PBM) contracts continue to generate savings, an estimated \$717M in FY20

	TPA Contract	PBM Contract
Program	HealthSelect self-funded medical plans	HealthSelect SM Prescription Drug Program and HealthSelect SM Medicare Rx plan
Contract Term	September 1, 2017 - August 31, 2024	January 1, 2017 – August 31, 2022 and January 1, 2017 – December 31, 2022
Awarded to	Blue Cross and Blue Shield of Texas	UnitedHealthcare Services, Inc.
Total Projected Savings*	\$2.8 billion through August 2023	\$1.6 billion over six years
Factors Driving Savings	More competitive provider reimbursement rates and lower administrative fee	Better ingredient cost guarantees and higher rebates

*Projected savings are larger than initially anticipated and are adjusted annually based on actual experience.

The self-funded HealthSelect plans experienced lower than expected FY20 cost trends

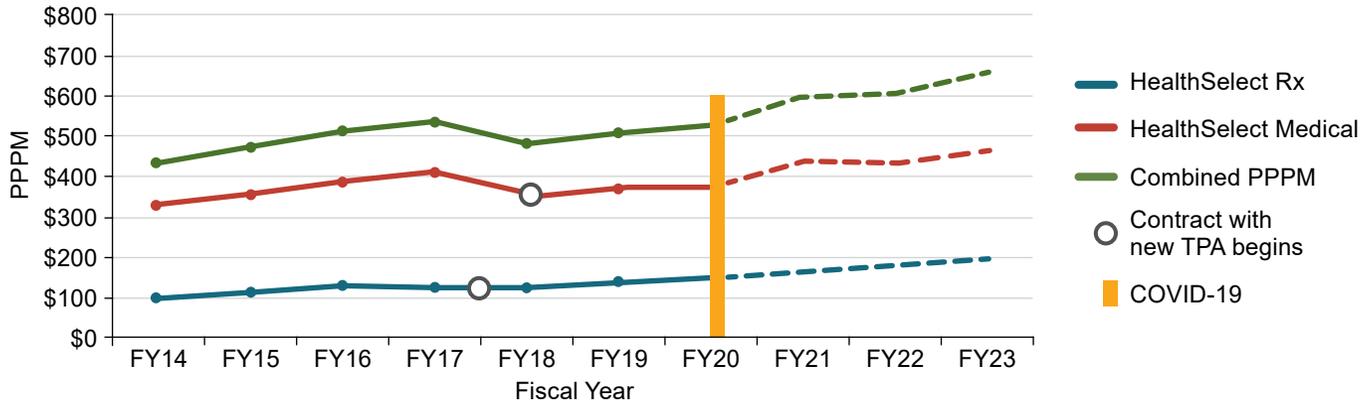
In FY18, the plan experienced a one-time reduction in medical costs due to a new administrative contract. Medical costs declined in FY20 due to fewer participants using health care services as a result of the COVID-19 pandemic. The medical trend is expected to be significantly higher in FY21 as utilization returns to normal and participants obtain care that was deferred during the pandemic.



Cost trends and projections for HealthSelect self-funded plans

In general, costs increase every year, except in years with special circumstances. New PBM and TPA contracts for the HealthSelect pharmacy plan in FY17 and medical plan in FY18, as well as lower utilization due to the FY20 COVID-19 pandemic, created dips in the cost trend.

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



Costs presented do not include the impact of pharmacy rebates.

The HealthSelect of Texas® point-of-service plan design controls costs, helping keep the plan affordable

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

- When members select the point-of-service plan, they and any covered dependents are asked to select a PCP in order 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.

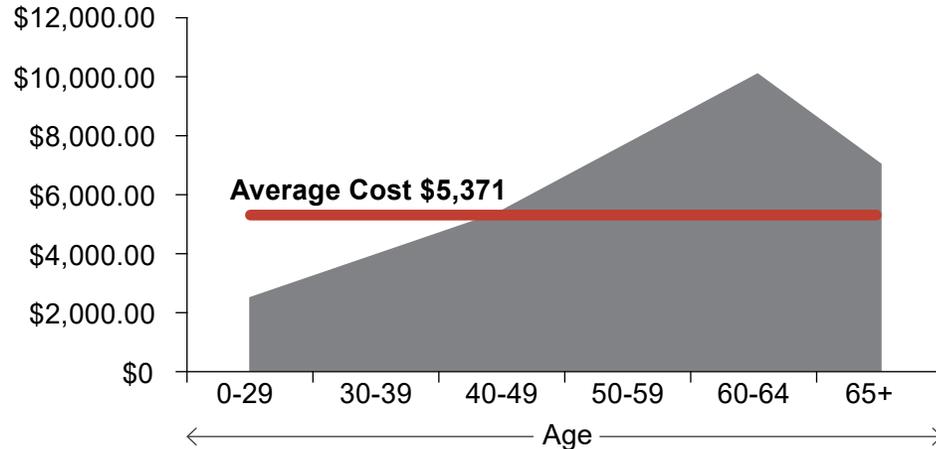


88% of HealthSelect of Texas participants have designated a PCP.

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 average annual claims cost per participant, by age group, all medical and pharmacy* claims, FY20

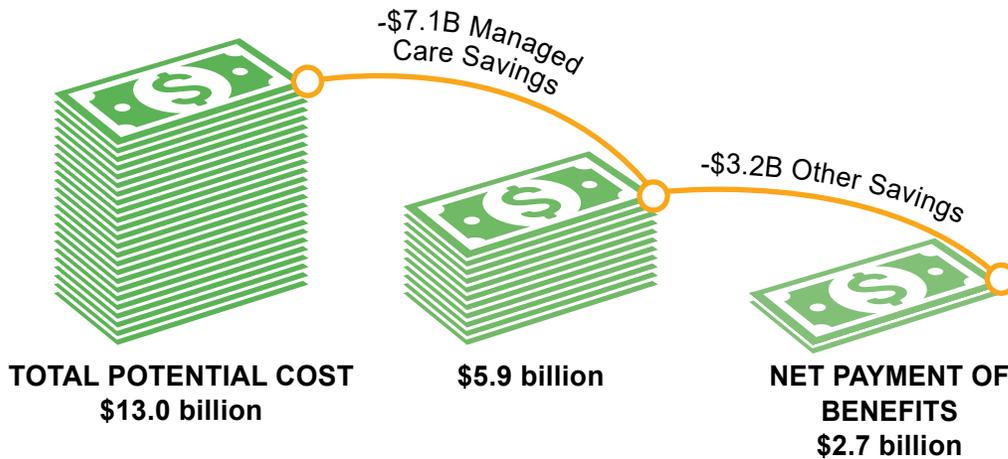


Averaging costs among the participants keeps the plans more affordable for all.

*Pharmacy costs are net of rebates.

Effective management reduced HealthSelect costs by \$10.3 billion in FY20

As a result of strategic and effective contracting, the plans paid \$2.7 billion in health care costs instead of the \$13 billion that could have been paid without active plan management.



HealthSelect at a Glance

< 3¢

portion of every
HealthSelect dollar spent
on administrative costs



Number of medical
claims paid: **5.6M**

HealthSelect^{of Texas}

Average annual HealthSelect
cost per participant: **\$5,371**



Potential cost of member-only monthly
rate without cost-management savings:
\$3,031



Annual savings due to removing
ineligible dependents: **\$4.3M**



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

HealthSelect at a Glance



Savings from HealthSelect
cost management practices:
\$10.3B



Number of HealthSelect medical and
mental health virtual visits*: **77,108**
(75% increase over FY19)



Payments from all GBP health plans to
doctors, hospitals, pharmacies and other
care providers across Texas: **\$2.98 billion**



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

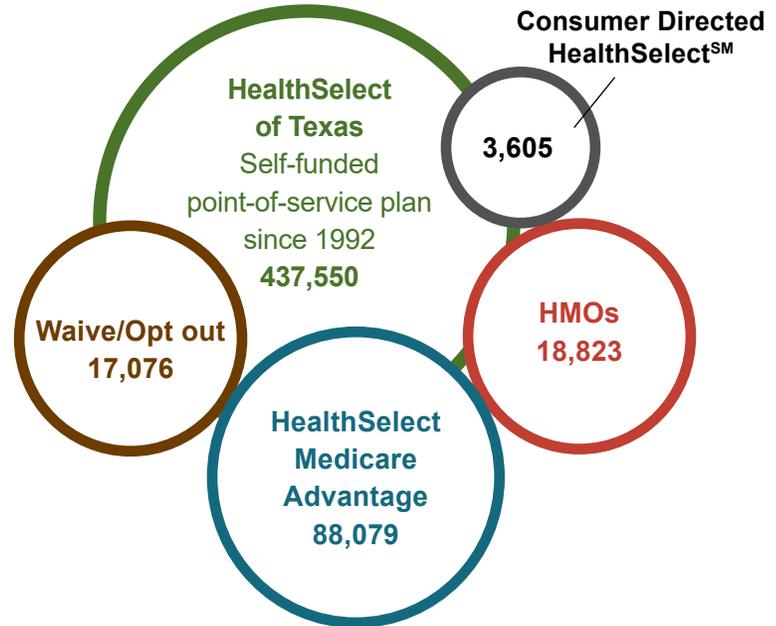
ERS has administered insurance benefits for state agency employees and retirees since 1976. Employees and retirees of Texas public community colleges and higher education institutions, other than the University of Texas and Texas A&M University systems, were added in 1992.

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

All newly hired state agency 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.

80% of all participants enroll in HealthSelect of Texas

August 31, 2020



GBP benefits available in FY20

 Health Benefits	 Health Benefits for Retirees Enrolled in Medicare	 Optional Add-on Benefits
HealthSelect	HealthSelect	Dental Plans
<ul style="list-style-type: none"> • Point-of-service plan • Consumer directed health plan • Out-of-state plan • Prescription drug program 	<ul style="list-style-type: none"> • Medicare Advantage preferred provider organization (PPO) • Secondary plan • Employer Group Waiver prescription drug plan (EGWP) 	<ul style="list-style-type: none"> • Dental PPO • Dental HMO
Health Maintenance Organizations (HMOs)	HMOs	Vision Insurance
<ul style="list-style-type: none"> • 2 Regional HMOs in central Texas and San Antonio areas 	<ul style="list-style-type: none"> • Medicare Advantage HMO Houston area only (ended PY20) • 2 Regional HMOs in central Texas and San Antonio areas 	Optional Life, AD&D Insurance Long-term, Short-term Disability

GBP health insurance choices – FY20 benefit highlights

	HealthSelect of Texas (point-of-service plan)	Consumer Directed HealthSelect (HDHP with HSA)	Regional HMOs	HealthSelect Medicare Advantage (MA) PPO	Medicare Advantage (MA) HMO
Administrator/ Insurance Carrier	Blue Cross and Blue Shield of Texas		Community First; Scott & White;	Humana Insurance Company	KelseyCare Advantage MA*
In-network Deductibles	\$50 prescription drug deductible	\$2,100 individual; \$4,200 family	\$50 prescription drug deductible	\$50 prescription drug deductible	
Copays/Coinsurance?	Yes/Yes	No/Yes	Yes/Yes	Yes/Yes	
PCP Designation Required?	Yes	No	Only for Community First Health Plans	No	No
Referrals Needed for Specialty Care?	Yes	No	Subject to HMO rules	No	Only for non-Kelsey- affiliated specialists
Out-of-network benefits available?	Yes	Yes	No, except for emergency care	Yes	No, except for emergency or urgently needed care

*KelseyCare Advantage MA HMO unavailable in the GBP after December 31, 2020 – see page 101.

Consumer Directed HealthSelect

Since September 1, 2016, the GBP has offered 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 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. HSAs with more than \$2,000 can be invested. Funds are not subject to tax if used for eligible health care expenses that are not reimbursed from another source.

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



2020 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

Consumer Directed HealthSelect members may open a health savings account (HSA) with Optum Bank. HSAs have three 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, accountholders 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 CY20

	Individual Coverage	Family Coverage
Annual Maximum Contribution	\$3,550	\$7,100
Annual State Contribution	\$540 (\$45 monthly)	\$1,080 (\$90 monthly)
Annual Maximum Participant Contribution, add \$1,000 “catch-up” contribution for age 55 and older	\$3,010	\$6,020

HSA Activity (January 1 – August 31, 2020)	
Number of Accounts Active	2,303
Average Account Balance	\$1,386
Average Employee Monthly Contribution	\$239

Health insurance is also available to eligible retirees

In addition to the HealthSelect and HMO plans, the GBP offered eligible retirees two Medicare Advantage (MA) options in Plan Year 2020 with lower dependent premiums and no deductible:

- **HealthSelectSM Medicare Advantage** (nationwide MA PPO plan)
administered by Humana
- **KelseyCare Advantage** (MA HMO plan in the Houston area only)
administered by KelseyCare (not available in PY21)

The Medicare Advantage plans include prescription drug coverage by **HealthSelectSM Medicare Rx**, administered by UnitedHealthcare.

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



Medicare Advantage plans offer savings and added benefits

When GBP retirees and their dependents reach age 65 and become eligible for Medicare coverage, GBP health insurance (except for GBP MA plans) becomes a secondary payer to Medicare. With the Medicare Advantage plan, a retiree enrolled in Medicare Part A and Part B will enjoy a plan designed for a senior population with more benefits than original Medicare and no deductibles. Retirees paying premiums to cover themselves or dependents will save significantly by enrolling in this plan.

77%

of eligible retirees and spouses enrolled in MA plans, while the rest remained in HealthSelect of Texas or a non-MA HMO.

All enrolled health plan participants receive prescription drug coverage

HealthSelectSM Prescription Drug Program.

All HealthSelect participants not enrolled in Medicare receive drug benefits through the HealthSelect Prescription Drug Program, administered by UnitedHealthcare Services, Inc., referred to as OptumRx.

HealthSelect 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 administered by UnitedHealthcare 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 (voluntary) benefits

Members pay 100% of the cost for voluntary benefit programs in which they enroll. The state does not contribute financially to these benefits.

Optional Add-on Benefits				
Coverage	Plan Type	Funding	FY20 TPA/Insurer	FY20 Enrollment
Dental	PPO	Self-funded	Delta Dental	349,135
	HMO	Fully insured	DeltaCare USA	110,935
Vision	Vision insurance	Self-funded	Superior Vision Services	254,852
Optional Life	Group term insurance	Fully insured	Minnesota Life Insurance Co.	216,963
Dependent Life				104,098
Voluntary AD&D	Group term insurance	Fully insured	Minnesota Life Insurance Co.	127,964
Texas Income Protection Plan (Disability Insurance)	Short-term	Self-funded	ReedGroup	84,868
	Long-term	Self-funded		111,339
TexFlex	Flexible spending accounts	NA	WageWorks	46,681

Dental and vision

The GBP offered both dental and vision insurance coverage options in FY20.

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

- **State of Texas Dental Choice PlanSM**, a national preferred provider organization (PPO) administered by Delta Dental
- **DeltaCare USA DHMO**, a dental health maintenance organization (DHMO) plan with a Texas network, administered by DeltaCare USA
- **State of Texas VisionSM**, 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



DeltaCare[®] USA



FY20 flexible spending accounts (FSAs)



ERS offers four tax-advantaged savings options

Health Care FSA	Limited Purpose Health Care FSA	Dependent Care FSA	Commuter Reimbursement
§ 125 Reimbursement Plan	§ 125 Reimbursement Plan	§ 125 Reimbursement Plan	§ 132(f) Reimbursement Plan
Maximum contribution: \$2,750 per member per fiscal year	Maximum contribution: \$2,750 per member per fiscal year	Maximum contribution: \$5,000 per household per fiscal year	Qualified parking benefit: \$270 monthly Qualified transit benefit: \$270 monthly
Eligible expenses include: <ul style="list-style-type: none"> • Copays & coinsurance • Dental expenses • Eyeglasses/Lasik/contacts • Medical supplies • Other eligible expenses as determined by the IRS 	Available to Consumer Directed HealthSelect participants for eligible: <ul style="list-style-type: none"> • Vision expenses • Dental expenses 	Eligible expenses: <ul style="list-style-type: none"> • Day-care expenses for eligible dependent children or adults 	Eligible expenses for commuting to and/or from work: <ul style="list-style-type: none"> • Parking • Transit: <ul style="list-style-type: none"> – Mass transit – Vanpool
\$500 allowable carryover*	\$500 allowable carryover*	Eligible for grace period*	Not subject to forfeiture during employment
Subject to forfeiture*	Subject to forfeiture*	Subject to forfeiture*	
Accounts: 43,163	Accounts: 120	Accounts: 3,117	Accounts: 281

*See "Spotlight: the Impact of COVID-19 in FY20" section for temporary changes for FY20.

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

Basic Term Life included with health insurance

GBP health coverage for active employees 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 is automatically enrolled with \$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 members 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 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%

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 are already enrolled in the coverage when they retire. 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 is not required to be enrolled in Optional Group Term Life insurance coverage to enroll in voluntary AD&D.



Disability insurance

The Texas Income Protection PlanSM 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 and his or her family through a period without the employee's income, when the employee is determined by a doctor to be disabled.

Self-funded FY20 HealthSelect and Basic Life insurance coverage costs

Rates include both health insurance and Basic Term Life Insurance coverage for the member.

	Premium	State Pays	Member* Pays
HealthSelect of Texas			
Member Only	\$624.82	\$624.82	\$0.00
You + Spouse	\$1,340.82	\$982.82	\$358.00
You + Children	\$1,104.22	\$864.52	\$239.70
You + Family	\$1,820.22	\$1,222.52	\$597.70
Consumer Directed HealthSelect			
Member Only	\$624.82	\$624.82	\$0.00
You + Spouse	\$1,305.02	\$982.82	\$322.20
You + Children	\$1,080.24	\$864.52	\$215.72
You + Family	\$1,760.44	\$1,222.52	\$537.92

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

GBP Plan Changes (Fiscal Year 2020 – present)

For temporary changes related to the COVID-19 pandemic, see section titled “Spotlight: The Impact of COVID-19 in FY20.”

Fiscal Year 2020	All health plans except Medicare Advantage	Increased total out-of-pocket maximums to \$6,750 per individual and \$13,500 per family to align with IRS maximums.
	All HealthSelect medical plans (except Medicare Advantage)	For services provided on or after January 1, 2020, participants cannot be balance billed by out-of-network providers for emergency (ER) service claims.
	HealthSelect medical plans, HealthSelect Prescription Drug Program (PDP), Consumer Directed HealthSelect PDP, HealthSelect Medicare Rx Plan	For covered drugs used in the treatment of stage four metastatic cancer, step therapy requirements were removed.

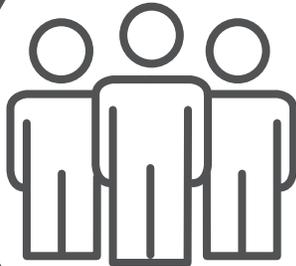
GBP Plan Changes (Fiscal Year 2020 – present) continued

Fiscal Year 2020	HMO Plans	<p>Health plan websites were revised to include:</p> <ul style="list-style-type: none"> • directory listings of hospital-based providers practicing at an in-network facility (by specialty); and • a list of services requiring prior authorization (PA). The PA process is provided no later than 5 business days from request. All utilization reviews must include a Texas-licensed physician.
	State of Texas Dental Discount Plan	<p>While ERS no longer offers a dental discount plan under the Group Benefits Program umbrella, dental discount plans remain available to employees through the Discount Purchase Program.</p>
	TexFlex health flexible savings accounts (FSA) and health savings accounts (HSA)	<ul style="list-style-type: none"> • Over-the-counter (OTC) drugs like cold medicine, allergy medicine and pain relievers no longer require a doctor’s prescription to be paid for or reimbursed through an FSA. Change is retroactive to January 1, 2020. • Menstrual care products are now designated as eligible medical expenses to be paid for or reimbursed through an FSA or HSA. Change is retroactive to January 1, 2020. • In early January, there were temporary changes due to the COVID-19 pandemic. See “Spotlight: The Impact of COVID-19 in FY20” section for details.

GBP Plan Changes (Fiscal Year 2020 – present) continued

<p>Fiscal Year 2021 (September 1, 2020 - January 1, 2021)</p>	<p>HealthSelect of Texas, Consumer Directed HealthSelect, HealthSelect Out-of-State medical plans</p>	<p>Implemented HealthSelectShoppERS program that rewards participants with contributions to an FSA or limited purpose FSA for shopping and receiving certain medical services and procedures from lower cost, high quality in-network providers.</p>
	<p>HealthSelect of Texas, HealthSelect Out-of-State, HealthSelect Secondary, Scott and White Health Plan, Community First Health Plans</p>	<ul style="list-style-type: none"> • In-network diagnostic mammography is covered at the same benefit level as preventive screening mammography. • Prior authorization requests may be made and reviewed 60 days in advance.
	<p>HealthSelect of Texas, Consumer Directed HealthSelect medical plans</p>	<p>The mental health claims and benefits administrator transitioned from Magellan Healthcare® to BCBSTX. Mental health benefits and coverage did not change as a result of this transition.</p>

Whom We Serve



...about our members

Who can enroll in the GBP?

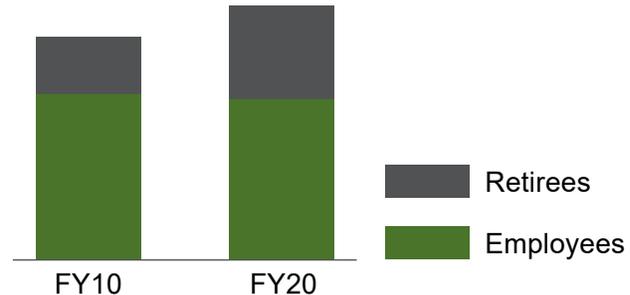
The GBP provides health insurance coverage and optional benefits to employees and retirees of state agencies and public institutions of higher education (except the University of Texas and Texas A&M University systems), and their eligible family members.

Of those enrolled in health insurance plans:

- The average age of a GBP member is 54.
- About one-third work or worked in higher education.
- The retiree population has grown 52% over 10 years.

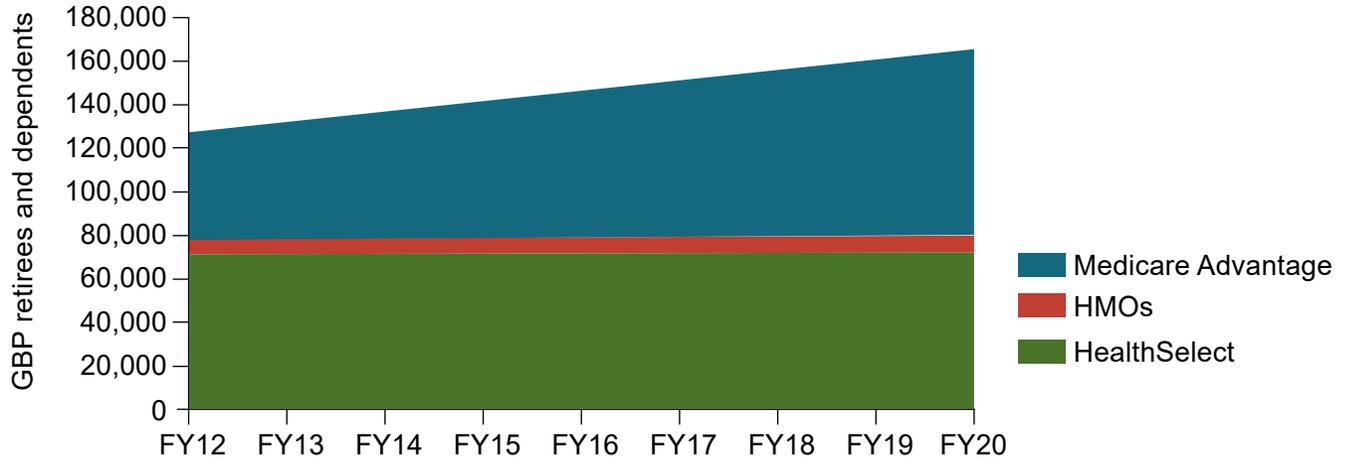
GBP health insurance enrollment (not including dependents)

	FY10	FY20	% Change
Employees	217,897	215,209	-1.2%
Retirees	79,735	121,211	52.0%
Total	297,632	336,420	13.0%



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

Participation in retiree plans has steadily shifted to Medicare Advantage since its introduction in FY12



Retirees choosing MA plans saved \$65 million in FY20 dependent premiums.

GBP health plan member demographics (FY20)

	Active Employees	Pre-65 Retirees	65+ Retirees	All Members*
Total Number	215,209	34,333	86,878	336,420
Average Member Age	45 years	59 years	74 years	54 years
Average Dependent Age	22 years	38 years	68 years	29 years
% Who Enroll Dependents	37%	29%	24%	33%
Gender	58% female 42% male	54% female 46% male	54% female 46% male	57% female 43% male
Average Years of Service	9 years	25 years	22 years	14 years
Place of Employment	67% agency 33% higher ed	86% agency 14% higher ed	71% agency 29% higher ed	70% agency 30% higher ed

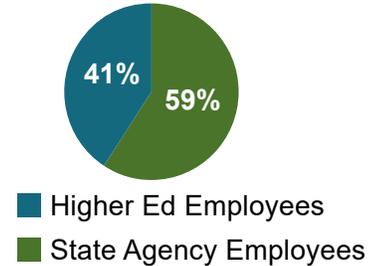
*Members include active employees and retirees only. It does not include dependents, survivors, COBRA or other miscellaneous groups.

Consumer Directed HealthSelect enrollee characteristics (FY20)

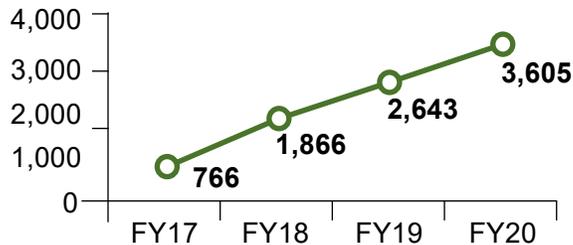
- 3,605 participants as of August 31, 2020
- Average age of enrollees is 42 years, compared to 50 years in other GBP health plans (excludes Medicare Advantage plans)

Higher education employees represent 33% of employees enrolled in most GBP health plans, and 41% of employees enrolled in Consumer Directed HealthSelect

Consumer Directed HealthSelect employee members



Enrollment is steadily increasing



Employees in Consumer Directed HealthSelect earned \$12,403 more per year on average than employees enrolled in HealthSelect of Texas



Risk of chronic conditions increases with age

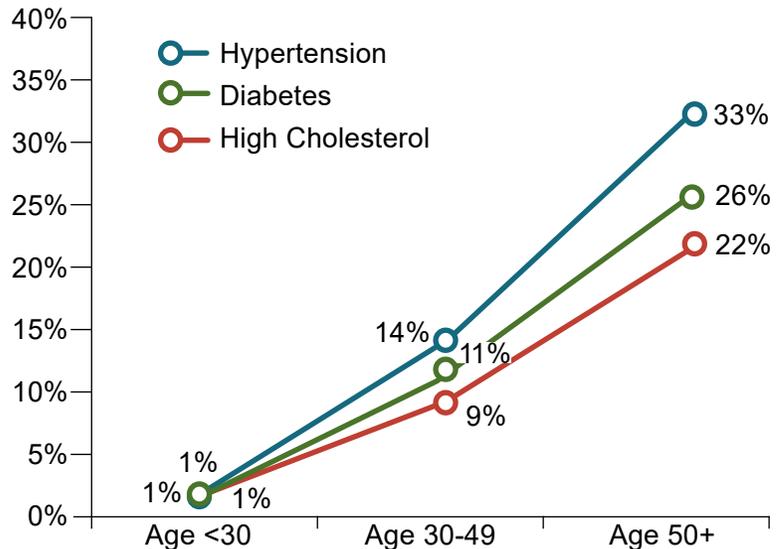
With age, the risk increases for common chronic conditions such as high blood pressure, high cholesterol and diabetes.

The average age of a GBP member (both employees and retirees) is 54.

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

Source: BCBSTX Healthcare Economics Team

Percentage of FY20 HealthSelect population living with chronic conditions
(Medicare population not included)

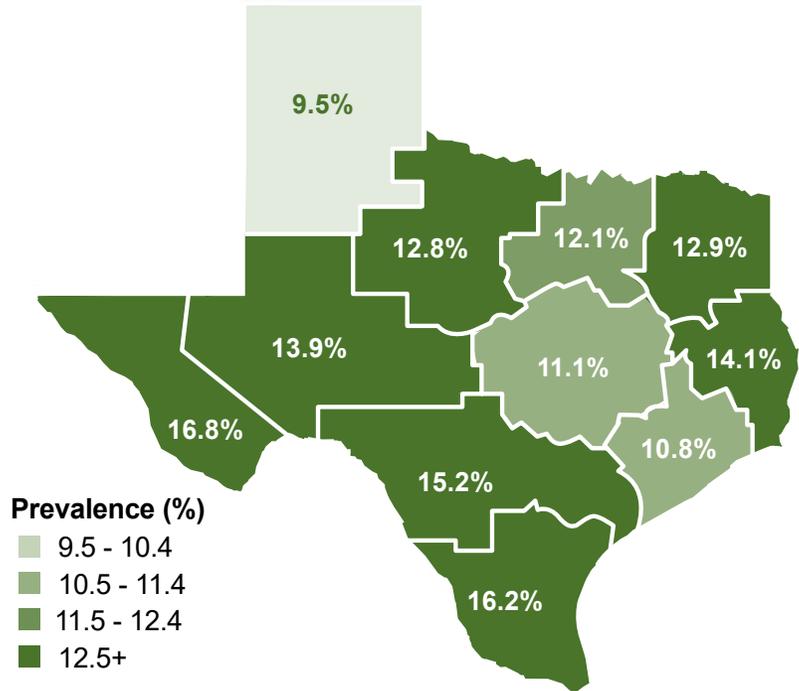


Diabetes prevalence among the entire HealthSelect population varies by region

Among the employee population at the top 10 agencies, diabetes prevalence is highest among employees at the Health and Human Services Commission (14.1%) and the Texas Department of Criminal Justice (11.7%).

*FY20 Medicare-primary population excluded

Source: BCBSTX Healthcare Economics Team



Spotlight:



...The Impact of COVID-19 in FY20

COVID-19 and HealthSelect participants

Since the appearance of the COVID-19 virus in Texas, as of January 12, 2021, 1.7 million people across 254 counties had been infected, according to the Department of State Health Services. Nearly 30,000 Texans died as a result of the virus.

HealthSelect participants infected by the virus:	29,351
HealthSelect participants treated for COVID-19:	25,408
Number of COVID-19 screenings covered:	198,402
Percentage of participants tested:	29%

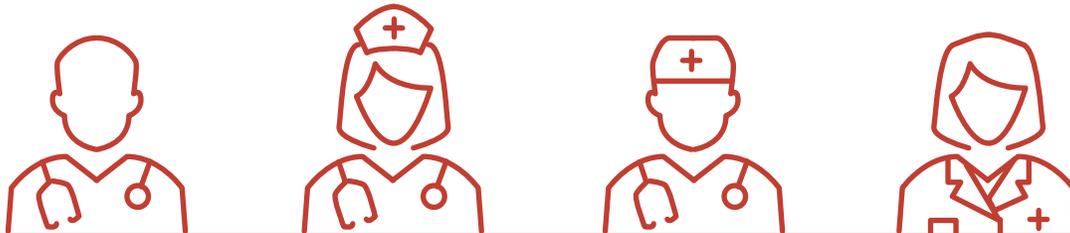
Data is current as of January 12, 2021. Source: BCBSTX

Impact of the COVID-19 pandemic on HealthSelect costs

The medical cost trend, normally 5.5% annually, decreased as Texans took measures to avoid social contact. Participants also avoided or postponed certain non-emergency health care services. This reduced utilization and lowered costs from earlier projections by \$160 million.

	1st Quarter Sept.-Nov.	2nd Quarter Dec.-Feb.	3rd Quarter Mar.-May	4th Quarter June-Aug.	Full Year FY20
Medical Trend	5.8%	8.8%	-17.9%	1.7%	-0.6%

During the six-month period of March through August, 23% fewer participants had a preventive care visit, compared with the same period in the previous year.



Impact of the COVID-19 pandemic on HealthSelect costs (continued)

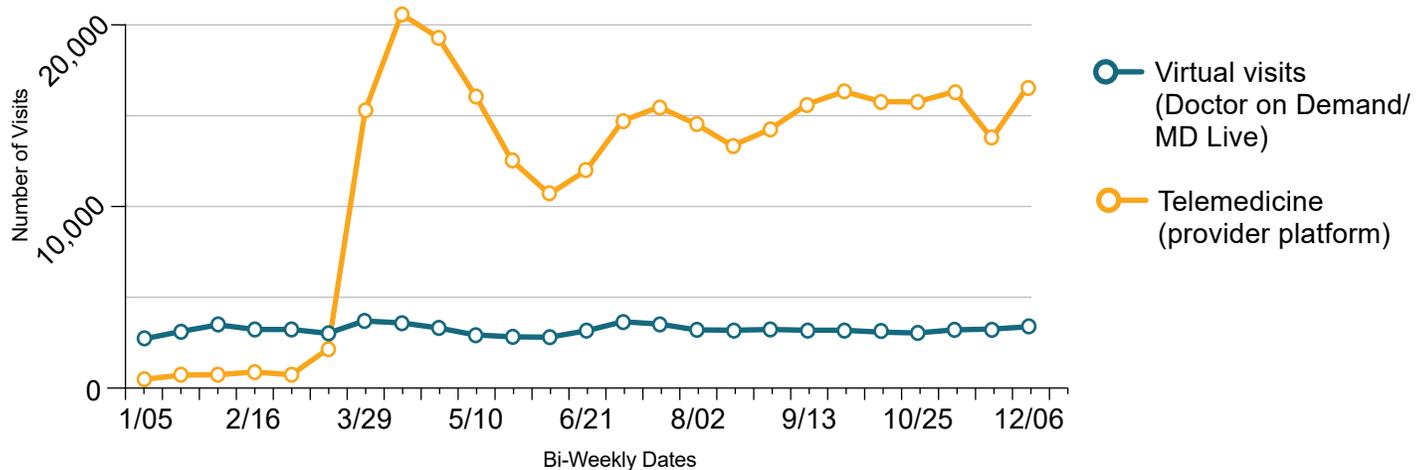
- In FY20 alone, HealthSelect had almost 10,000 COVID-19 cases with a total cost of \$35 million.
- Early in the pandemic, the cost per case was very high. The cost per case decreased throughout the summer as the number of cases increased.
- In FY20, the pandemic's net impact (the cost of COVID-19 cases less utilization reductions) to plan costs resulted in a total plan cost reduction of \$125 million.
- **It is expected that some of the medical services that were deferred in FY20 will be made up in FY21 which, in conjunction with the increased number of COVID-19 cases, will drive costs in that year above normal levels.**



HealthSelect participants and providers move toward telemedicine

Telemedicine (using the provider's platform) has become popular for health care services in the past year. Virtual visits (Doctor on Demand and MDLive) remained steady, but telemedicine visits significantly increased in March.

Virtual Visits and Telemedicine Visits During the COVID-19 Pandemic



Plan design changes in response to the COVID-19 pandemic

In March 2020, the federal government passed the following mandates:

- The Families First Coronavirus Response Act (FFCRA) was signed into law on March 18, 2020, requiring group health plans to cover COVID-19 diagnostic testing without cost-sharing or prior authorization.
- The Coronavirus Aid, Relief, and Economic Security (CARES) Act, signed into law March 27, 2020, expanded the diagnostic testing mandate for COVID-19.

ERS and the agency's health plan vendors responded quickly with temporary plan changes, designed to meet participant health needs given challenges to accessing in-person health care.

- On March 18, 2020, GBP health plans implemented coverage of COVID-19 diagnostic testing and associated services at a doctor's office, urgent care provider or emergency room, or through a telehealth visit at no cost to a participant and without prior authorization, regardless of if the provider was in network or out of network. This coverage will continue in place throughout the Declaration of Public Health Emergency.

Plan design changes in response to the COVID-19 pandemic (continued)

To help plan participants access care and to relieve the pressure on the medical community, additional non COVID-19 temporary benefit enhancements were implemented for the HealthSelect plans.

- Waived HealthSelect plans' cost sharing for non-COVID-19 in-network medical and mental health virtual visits through March 31, 2021
- Waived cost sharing for in-network provider-platform primary care physician and specialist telemedicine visits (medical and mental health) through March 31, 2021
- Temporarily paused in-network PCP referral requirements to see specialists from March 16, 2020 through May 31, 2020
- Waived prior authorization requirements for hospital interfacility transfers to lower levels of care until February 28, 2021
- Temporarily activated a COVID-19 Member Portal and Nurse Practitioner Hotline, which ended on September 30, 2020
- Temporarily lifted early-fill restrictions on prescription medications through September 30, 2020
- Promoted free mental health crisis hotlines

Temporary modifications to TexFlex flexible savings accounts (FSAs)

Many employees made their Plan Year 2020 TexFlex benefit elections before the public health emergency and were unable to use their TexFlex benefits in the same manner as originally intended. With recent regulatory action, the GBP implemented these PY20 temporary provisions to address these challenges.

IRS Notice 2020-29 - Issued May 12, 2020

- **Extension of Period to Spend Unused Funds** - If employees have unused amounts in their health care, limited-purpose or dependent care FSAs as of the end of the plan year ending August 31, 2020, those funds can be used to pay or reimburse eligible medical care or dependent care (as applicable) through December 31, 2020. Claims must be submitted for reimbursement no later than December 31, 2020.
- **Allow Mid-year Election Changes** - Allows for prospective changes without a qualifying life event (QLE) during the Calendar Year 2020, including revoking an FSA election, making a new FSA election, or decreasing or increasing an existing FSA election.



Temporary modifications to TexFlex FSAs (continued)

The Consolidated Appropriations Act of 2021 - Signed into law December 27, 2020.

As a result of this Act, the GBP extended and expanded temporary relief to help participants. Claims must be submitted for reimbursement by the regular filing deadlines.

- **Extended Carryover of Funds** – Employees can carryover all unused PY20 FSA funds (not limited to \$500) for use in PY21. This temporary rule will also allow for carryover of all unused PY21 FSA funds for use in PY22.
Note that unspent funds from a health care FSA cannot carry over to a dependent care FSA and vice versa.
- **Expanded Spend-down Period** - Allows additional time for employees to spend unused FSA funds up to the amount contributed, without electing COBRA after leaving employment. This temporary rule will be in place during PY20 and PY21.
- **Expanded Dependent Care Eligibility** – A participant enrolled in a dependent care FSA whose child turned 13 during the pandemic has additional time to incur claims. If there are unspent funds in the dependent care FSA at the end of the plan year in which the child turns 13, the participant can continue to use those funds into the next plan year until the child turns age 14.
- **Mid-year Election Changes Continue**– IRS Notice 2020-29 allows for prospective changes without a QLE during the Calendar Year 2020. This is also extended through PY21.

ERS pivots toward enhanced wellness programming delivered online

Recognizing that stress, isolation and challenging work/home environments were affecting the health and well-being of the state's workforce, ERS tripled the number and frequency of the recently launched "wellness webinars" to address these topics. Topics of the 24 live and recorded webinars offered since March 2020 include:

- "10 Ways to Maintain your Health while Working from Home" to help support plan participants transitioning work from the office to a home environment; a total of more than 1,900 participants attended four sessions
- At-home fitness programs in partnership with Texas Department of Public Safety Wellness Unit
- Stress management techniques for developing resilience, such as mindfulness exercises
- Mental health truths, myths and resources
- Parenting while working from home with young children
- Financial wellness programs in partnership with the Texas Office of Consumer Credit Commissioner

These webinars raised awareness among participants of resources available through their GBP health plans, such as HealthSelect of Texas' mental health virtual visits, wellness coaching and weight management programs.



Cost Trends

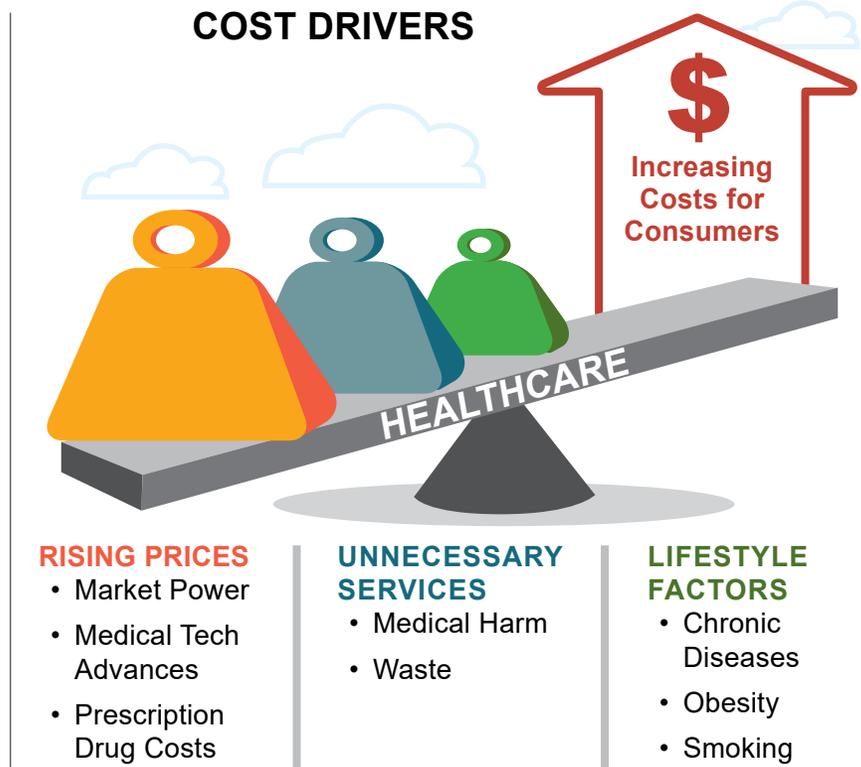


Price inflation is driving costs in the health plan

In FY20, inflation continued to be the most significant driver of health insurance costs in America.

This occurs, for example, when providers increase rates to treat insured patients, drug manufacturers raise the price of a popular drug or a new drug comes to market.

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



Projected average annual FY21-23 health plan cost trend is 8.5%

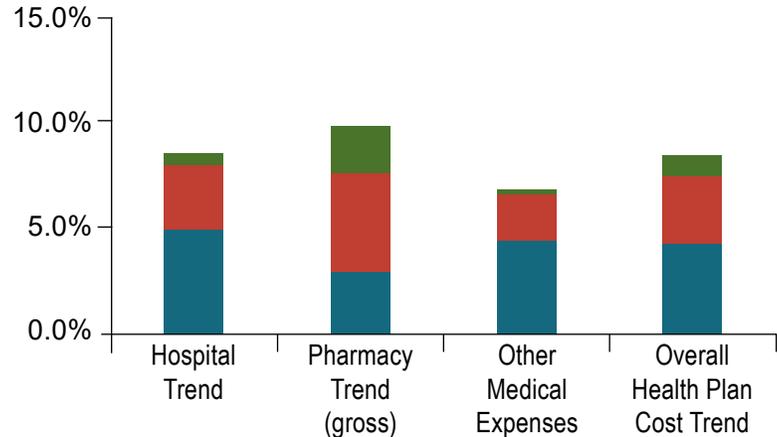
The major components of the benefit cost trend are increases in:

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



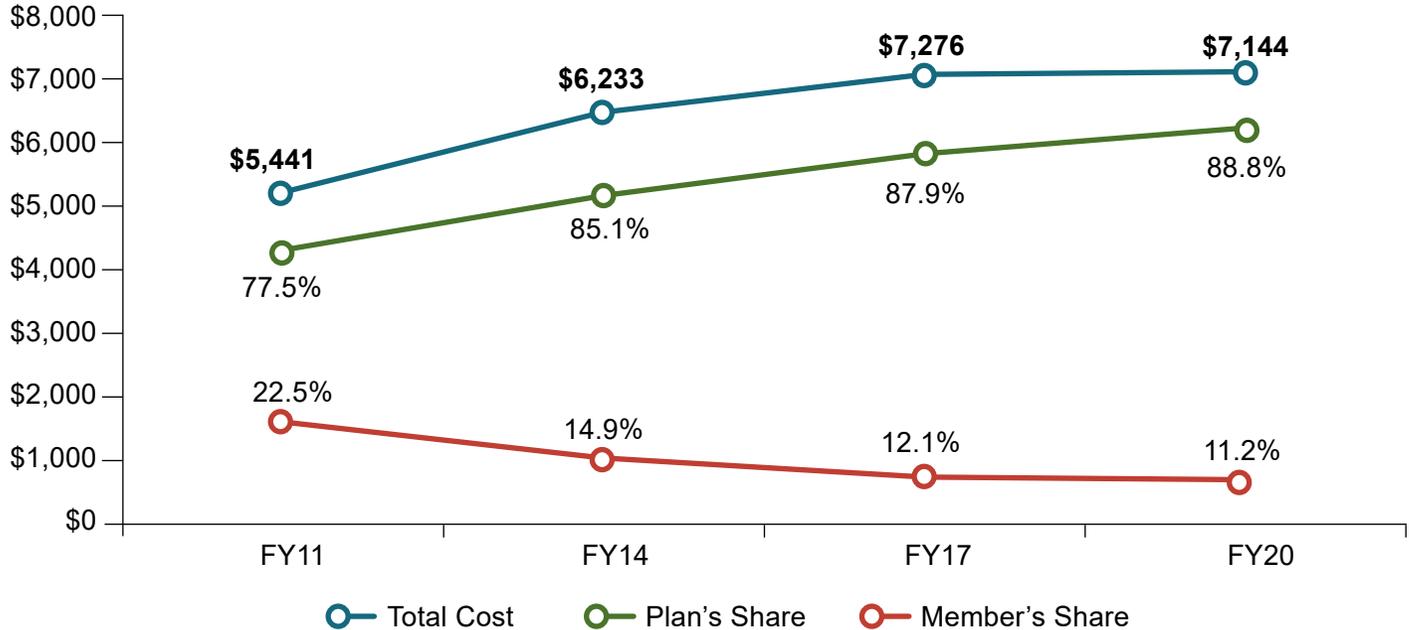
These cost drivers are common to all plans, not just HealthSelect.

Projected HealthSelect benefit cost trends, FY21-23



- Member Cost Share Leverage (Stable Plan Design)
- Inflation (Industry Price Increase)
- Utilization (Increased Use of Services)

The state covered the increased plan cost (cost shown per participant)

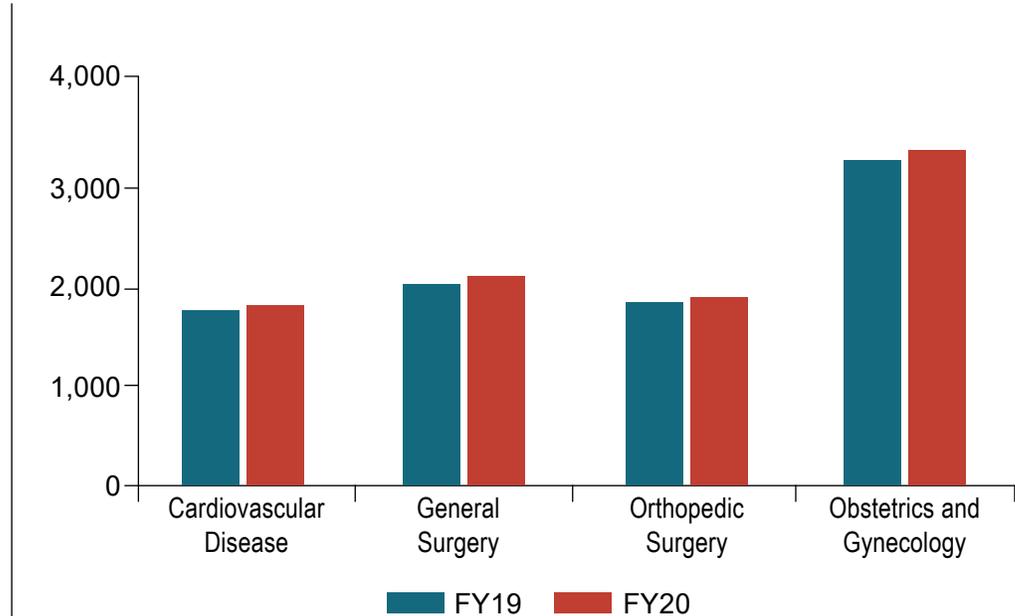


HealthSelect continues to provide access to a broad, high-quality network

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

The network now offers 15,106 primary care physicians, up from 14,979 in FY19.

The number of high-volume specialists also continues to grow at a steady pace.



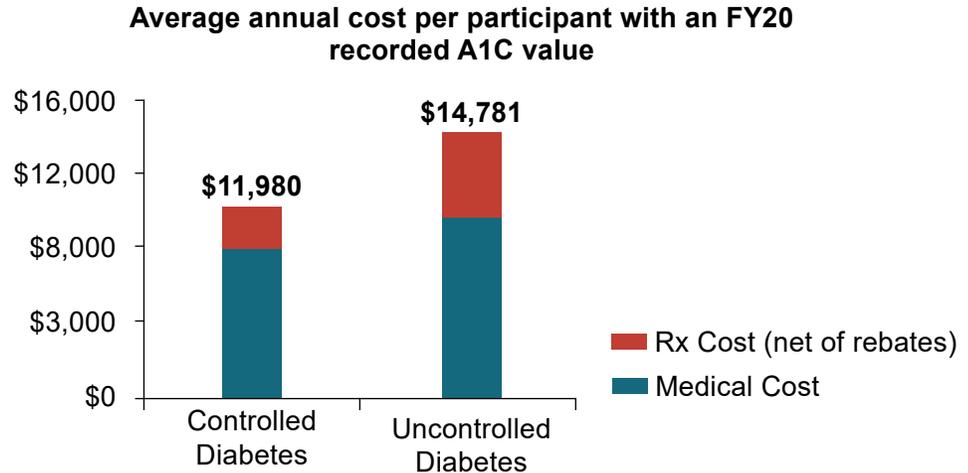
Controlling diabetes benefits both the participant and the plan

In FY20, participants with uncontrolled diabetes had 36% more emergency room visits and 26% more inpatient admissions than those with controlled diabetes.

Uncontrolled diabetes drives cost up when it leads to ER visits and hospitalizations.

Regular check-ups, glucose monitoring and medication adherence helps participants enjoy healthier lives by controlling diabetes.

Average costs are 23% higher for a participant with uncontrolled diabetes, compared to a participant with controlled diabetes



In FY20, health care costs for a participant living with a chronic condition were higher than the \$5,371 average for member care

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

Back and Joint Pain: 19%

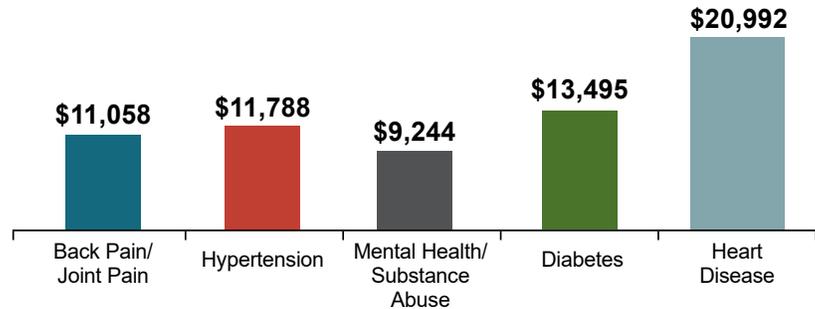
Hypertension: 15%

Mental Health and Substance Abuse: 12%

Diabetes: 12%

Heart Disease: 8%

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



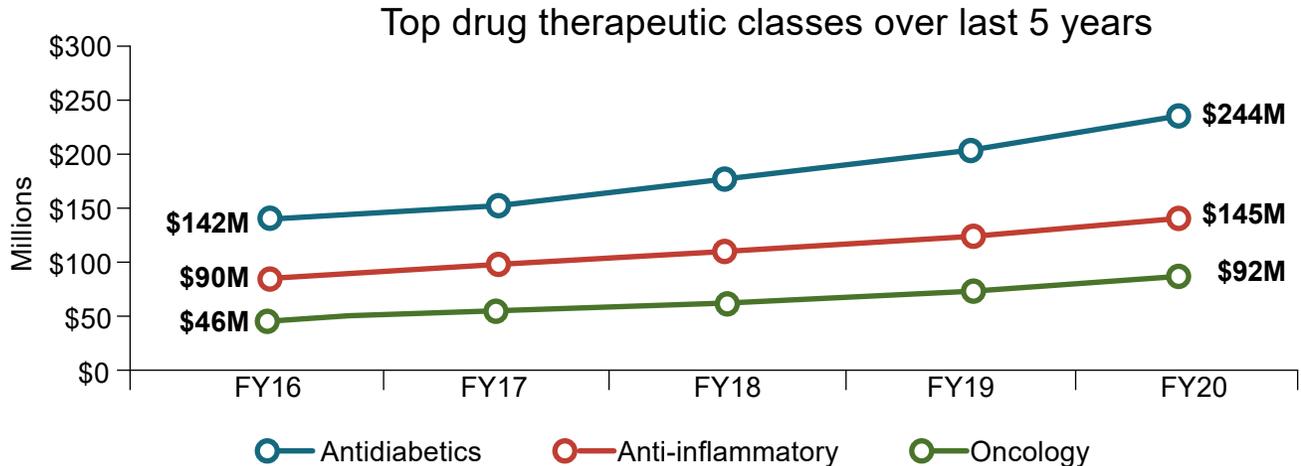
Average annual cost is the total average annual medical and pharmacy spend (net of rebates) for participants with the given condition.

Medicare-primary participants are excluded.

Participants are counted in each category for which they had a medical claim in FY20. Some participants may appear in more than one category.

The top 3 highest-cost drug therapeutic classes account for 42% of total drug spend

The diabetic therapeutic class is the largest cost driver within pharmacy spend and includes 5 of the top 10 highest-cost prescription drugs. Factors driving cost increases include drug prices and utilization.

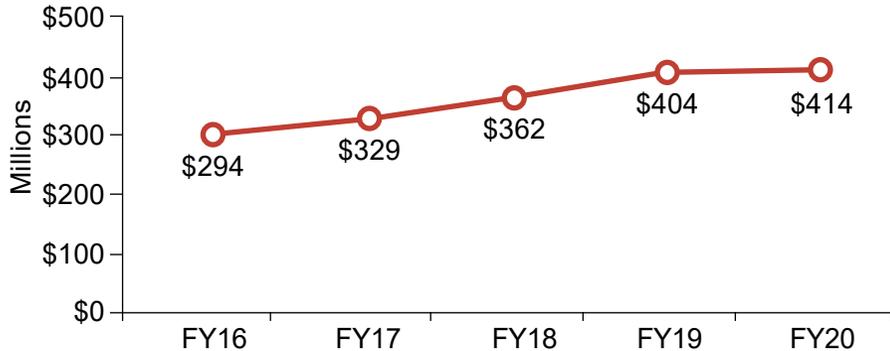


Note: Amounts are gross, not net of rebates.

Specialty drugs represented just 1% of all prescriptions filled but 36% of total prescription drug costs in FY20

The HealthSelect self-funded plans paid \$416 million, before applying rebates, for approximately 80,000 specialty claims.

Specialty drug costs have increased 41% in 4 years



Amounts are gross amounts, not net of rebates.

Top Five Specialty Conditions

- Inflammatory
- Neoplasms
- Psoriasis
- Multiple sclerosis
- Viral infections (hepatitis C and HIV)

Best Practices

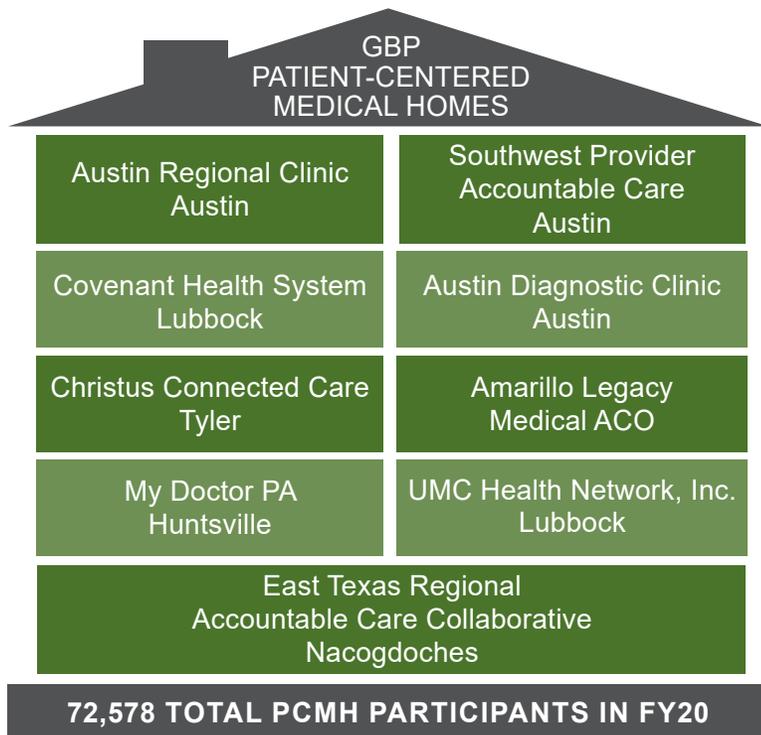


...successes and
new programs
in FY20

Patient-centered medical homes (PCMHs) control costs while providing quality care

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 FY19, PCMH practices saved the plan \$100.2 million and providers received \$24.5 million in shared-savings payments, in addition to their contracted reimbursements for medical care. Savings for FY20 have not yet been finalized.

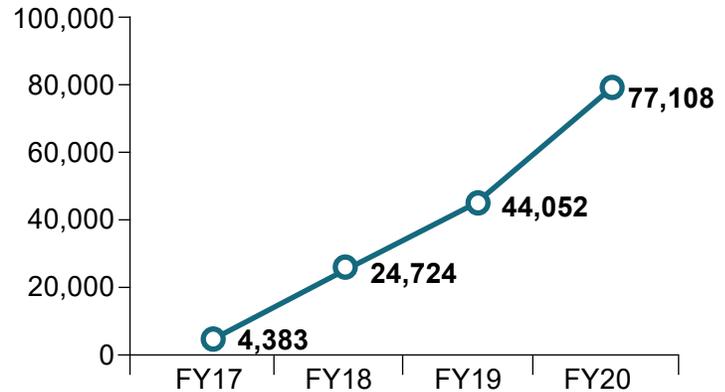


Virtual visits grew 75% in FY20

Virtual visits connect participants with a licensed provider directly through their mobile devices or computers. For medical virtual visits, HealthSelect of Texas participants do not pay a copay when using Doctor on Demand or MDLive. Virtual visits also result in lower plan costs.

- In FY19, ERS added scheduled mental health virtual visits at the same benefit level as an in-network mental health office visits (\$25 copay for HealthSelect of Texas participants)
- The number of mental health virtual visits increased 247% in one year – from 2,716 in FY19 to 9,435 in FY20
- The satisfaction rating remains high
 - Doctor on Demand: 4.9 on a 5-point scale
 - MDLive: 95% positive

Virtual visits have grown rapidly since FY17



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

AMP wellness campaign

ERS is actively working with the leadership of the 16 largest agencies and institutions to decrease the prevalence of major chronic conditions, improve participants' general quality of life, and reduce long-term health costs for the plan. ERS engages state employers – both leadership and wellness coordinators – to share:

- insights on the health challenges and engagement levels of the workforce,
- wellness resources of the GBP health plans and
- potential barriers or tools for sustaining a culture of wellness and support for employees.

Goals are for participants to:

Assess: complete an online health assessment to identify participant health needs

.....

Manage: enroll in available weight management programs (Naturally Slim and Real Appeal), if applicable

.....

Prevent: complete an annual preventive screening (annual check-up)

Through collaboration and leader-led support, the Texas Department of Public Safety and Texas Tech University System improved participation rates in weight management programs and online health assessments in FY20,

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

Formed in 2017, the GBAC advises the ERS Board of Trustees on the planning and development of employee and retiree benefits under the GBP. The Committee provides the Board with input from ERS participants, employers, industry experts and health care professionals to ensure that state benefits continue to provide 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 met twice during Fiscal Year 2020 to discuss issues such as the impact of COVID-19 to GBP health plans, tobacco program policies and ways to promote participant engagement in wellness offerings. Acknowledging challenges inherent to marketing wellness programs to employees and retirees, the Committee encouraged staff use of promotional flyers that could be distributed through each agency's payroll department. To spur engagement and accessibility, the Committee also urged staff to consider offering more wellness programs virtually. The Committee input was also instrumental in developing and vetting new definitions related to the GBP's tobacco policy, which were implemented during the summer of 2020.

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
Onduo	December 2, 2019	Offers a virtual care program with tools, coaching and clinical support for people with Type 2 diabetes
Salesforce	July 23, 2020	Offers a legislative tracking application and other cloud-based platform services
Medical Air Services	July 27, 2020	Provides coverage for medical emergency transportation services

Cost Management and Fraud Prevention

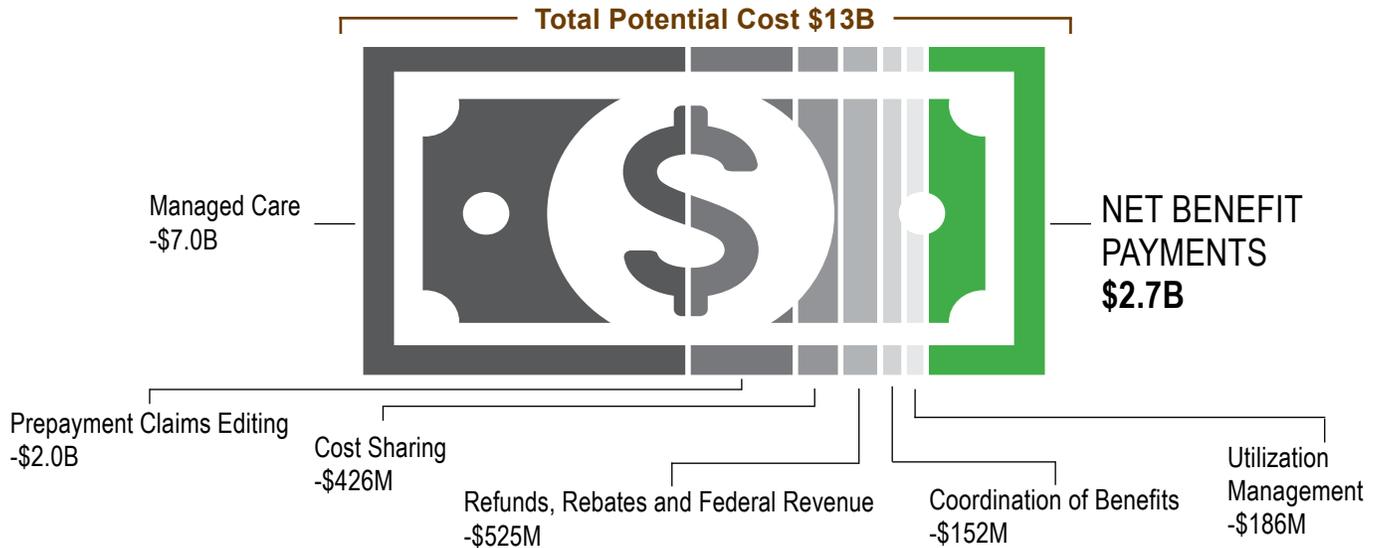


...about our strategies

HealthSelect reduced plan cost by \$10.3 billion in FY20

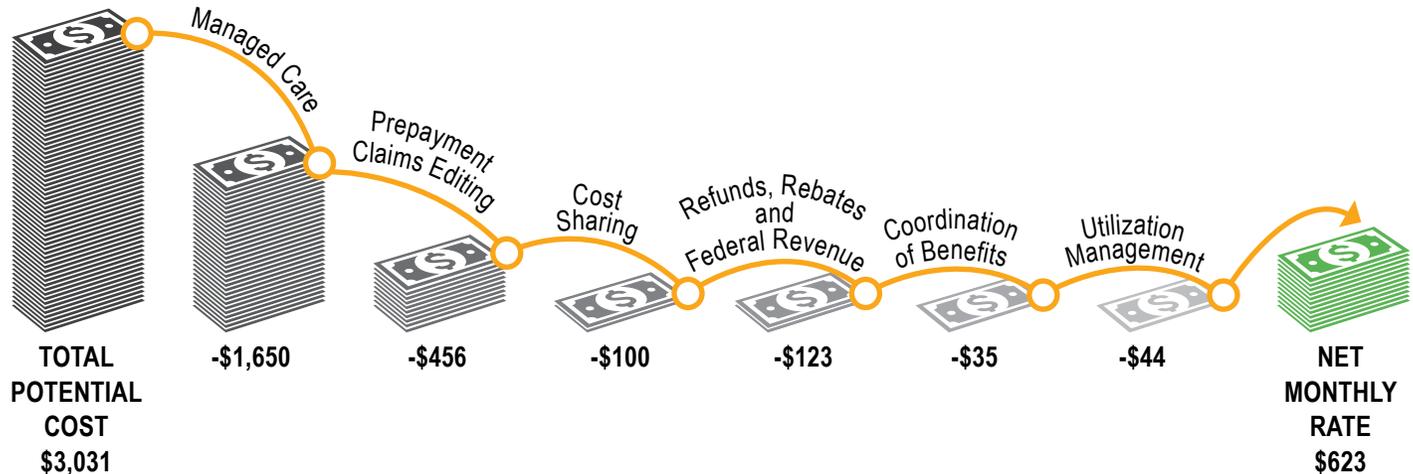
Employee health insurance provided through the self-funded HealthSelect plans cost the State of Texas and members \$2.7 billion a year – so it's important to get the most out of every dollar.

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



Without cost management, the HealthSelect member rate would be almost 5 times higher

In FY20, the member-only coverage contribution rate was \$623 per month. Without cost management programs, the member-only coverage rate would have been \$3,031 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		\$	12,960,621,951
2. Estimated Cost Avoided			(186,156,288)
3. Considered Charges			12,774,465,663
4. Less Ineligible Charges (Prepayment Claims Editing)			(1,951,729,231)
5. Eligible Charges			10,822,736,432
6. Less Reductions to Eligible Charges			
a. Prescription drug program (PDP) Charge Reductions	\$	1,539,054,164	
b. Provider Discounts and Reductions		5,518,589,280	
c. Medical Copayments and Deductibles		102,563,830	
d. Medical Coinsurance		187,285,035	
e. PDP Cost Sharing		136,121,468	
f. Coordination of Benefits - Medical - Regular		7,613,601	
g. Coordination of Benefits - Medical - Medicare		143,959,087	
h. Miscellaneous Medical Reductions		16,988	(7,635,203,453)
7. Gross Benefit Payments		\$	3,187,532,979

8. Less Refunds, Rebates and Federal Revenue

a. PDP Rebates	\$	414,105,721	
b. Federal Revenues - Medicare Part D		111,098,507	(525,204,228)

9. Net Benefit Payments			\$	2,662,328,751
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*Data sources:

- (1) Annual Experience Accounting reports prepared by BCBSTX
- (2) Annual Experience Accounting prepared by PBMs,
- (3) HealthSelect Prescription Drug Program data
- (4) ERS FY20 Comprehensive Annual Financial Report (Federal Revenues)
- (5) ERS GBD (BCBSTX Capitation Payments: \$61,852,413)

Utilization and care management, consumerism, virtual visits and other programs avoided more than \$186 million in plan costs

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

1. Considered charges plus estimated cost avoided	\$12,960,621,951
2. Estimated cost avoided due to utilization and care management	(\$186,156,288)
3. Considered charges	\$12,774,465,663

For example, in FY20, BCBSTX utilization management reduced medically unnecessary inpatient stays, reducing cost by an estimated \$65 million.



A word cloud of medical conditions and services. The words are arranged in a cluster, with some oriented vertically. The colors used are blue, red, green, and orange. The words include: heart, diabetes, neonatal, transplant, services, disease, organ, kidney, bariatric, maternity, asthma, and cancer.

Prepayment claims editing prevented nearly \$2 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 does not pay for services that are not medically necessary.

3. Considered charges	\$12,774,465,663
4. Less charges eliminated through prepayment claims editing	(\$1,951,729,231)
5. Eligible charges	\$10,822,736,432

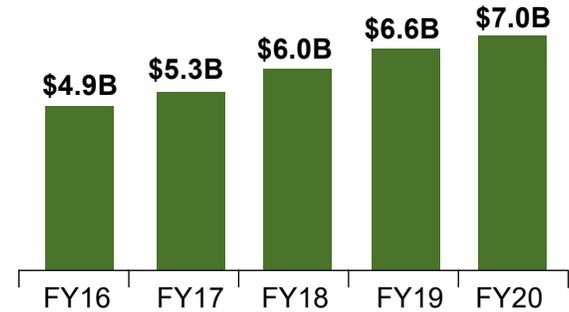
Negotiated provider discounts lowered the plan's costs by \$7.0 billion

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	(\$1,539,054,164)
6b. Medical provider discounts and reductions	(\$5,518,589,280)
Subtotal	(\$7,057,643,444)

Managed care discounts lowered the state's cost by nearly \$30 billion over five years



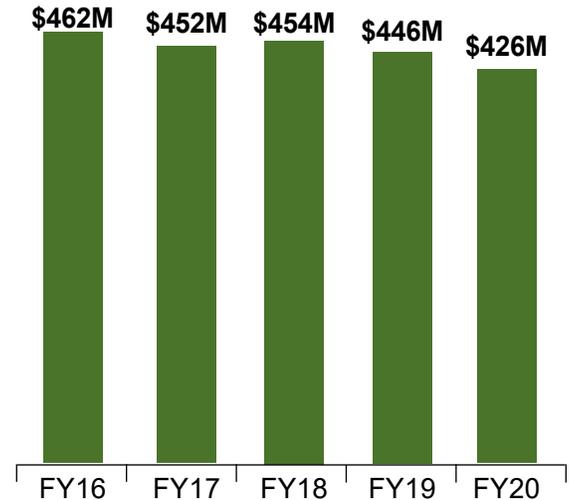
Participants paid \$426 million in deductibles, copays and coinsurance

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	(\$102,563,830)
6d. Medical coinsurance	(\$187,285,035)
6e. PDP cost-sharing	(\$136,121,468)
Subtotal	(\$425,970,333)

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



The HealthSelect plans saved \$152 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 that costs are paid appropriately.
- For example, when retirees are eligible for Medicare, GBP benefits become secondary, meaning 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	(\$7,613,601)
6g. Coordination of benefits - medical – Medicare	(\$143,959,087)
6h. Miscellaneous Medical Reductions	(\$16,988)
Subtotal	(\$151,589,676)

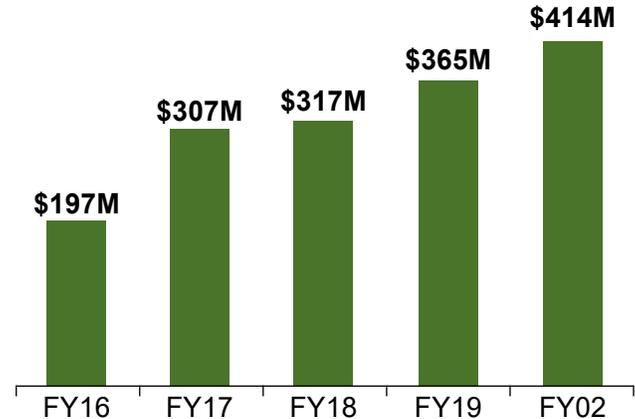
HealthSelect lowered cost by \$414 million through drug rebates

Line 8a: Prescription drug program (PDP) rebates

- FY20 drug rebates continue 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	(\$414,105,721)
Subtotal	(\$414,105,721)

PDP rebate savings

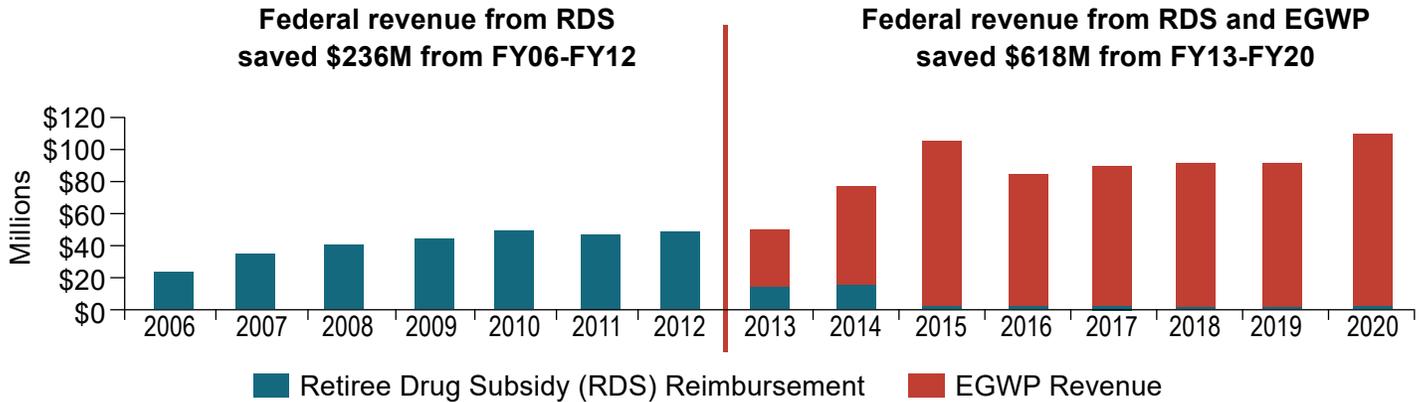


PDP rebates include payments of \$299M under the Medicare Part D Coverage Gap Discount Program from 2013-2020.

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	(\$111,098,507)
Subtotal	(\$111,098,507)



Under Medicare Part D, the HealthSelect plan collected \$853 million 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 claims details to find outliers and anomalies that may identify savings opportunities. This typically occurs with claims data review. If issues are discovered, the ARS team works with Group Benefits Division leadership and the PBMs and/or TPA to take action. Group Benefits will work with PBMs to modify the formulary if appropriate.

The BCBSTX Special Investigations Department (SID) detects and investigates 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 (DIU) and Investigative Groups, which streamline BCBSTX's approach to reducing health care fraud.

Advanced data analysis used to identify potential fraud includes artificial intelligence and predictive modeling, which can help identify unusual billing patterns and abuse of certain service (CPT) codes.

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

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 family members.

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

- contract requirements,
- adherence to the Master Benefit Plan Document,
- the TPAs 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	Plan Year	Satisfaction Rating
HealthSelect of Texas medical plans	BCBSTX	2020	89.4%
HMO	Scott and White Care Plans	2020	97.0%
HealthSelect MA PPO	Humana Insurance	2019	97.8%
MA HMO	KelseyCare Advantage HMO	2019	90.9%
HealthSelect Prescription Drug Program (PDP)	UnitedHealthcare / OptumRx	2020	96.0%
HealthSelect Medicare Rx (EGWP)	UnitedHealthcare	2019	96.0%
State of Texas Dental Choice PPO	Delta Dental	2020	95%
Dental HMO	DeltaCare USA	2020	88%
State of Texas Vision	Superior Vision	2020	93.2%
TexFlex	WageWorks	2019	pending
Texas Income Protection Plan	ReedGroup	2019	88.0%

Note: Most ratings are rounded to the first decimal.

All GBP contracts have performance guarantees

A performance guarantee (PG) assessment and/or other remedies are triggered when a TPA/insurer fails to meet certain contractual conditions.

The monetary value of a PG assessment depends on the severity of the violation. PG metrics are formulated from regulatory standards and industry best practices. Each PG is then risk-rated using risk-assessment modeling and assigned a PG severity level.

Performance outcomes are based on a snapshot in time. A missed performance guarantee does not mean that the issue was not resolved or corrected.

Any instance of a missed performance metric requires the TPA/insurer to supply supplemental corrective action information or a formal corrective action plan for ERS' review and approval, depending on the severity and scope of the missed metric.

Performance guarantee criteria

Level of Severity	Definition	Illustration of Amount at Risk
Severity 1 – Emergency	Mission-critical systems are down; there is a substantial portion of mission critical data at risk or a substantial loss of service; business operations have been severely disrupted; or a major milestone has not been met. In each situation, a work-around acceptable to ERS is not immediately 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.	<ul style="list-style-type: none"> • 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

Performance reporting, FY20

Performance guarantees were met for all performance standards and assessments did not apply for the following programs:

- TexFlex, administered by WageWorks
- Community First Health Plans
- Scott and White Care Plans (formerly Scott and White Health Plan)

Performance reporting, CY19

Performance guarantees were met for all performance standards and assessments did not apply for the following programs:

- HealthSelect Medicare Advantage PPO Plan, administered by Humana Insurance Company
- KelseyCare Advantage, a Medicare HMO plan
- HealthSelect Medicare Rx (EGWP+Wrap), administered by UnitedHealthcare Services Inc.

Performance reporting, FY20

HealthSelect of Texas plans, *administered by Blue Cross and Blue Shield of Texas*

- Performance guarantees were met for Emergency (severity level 1), Critical (severity level 2) and Minor (severity level 4); assessments did not apply.
- Performance guarantees were not met for Moderate (severity level 3); assessments did apply.

Severity Level	PG Category	Performance Results	PG Assessments	PG Requirement	PG Actual
3	Moderate PGs	2 Moderate PGs missed	Financial Accuracy Rate of Claims 2 PG assessed (2 of 12 months)	99% per month	98.70% and 98.82%

Performance reporting, FY20

HealthSelect Prescription Drug Program (PDP)
administered by UnitedHealthcare Services Inc. / OptumRx

- Performance guarantees were met for Critical (severity level 2); assessments did not apply.
- Performance guarantees were not met for Emergency (severity level 1), Moderate (severity level 3) and Minor (severity level 4); assessments did apply, with two exceptions, for the HealthSelect PDP.

Severity Level	PG Category	Performance Results	PG Assessments	PG Requirement	PG Actual
1	Emergency PGs	1 Emergency PG missed	Maintenance Eligibility File Processing 1 PG waived (1 of 12 months)	100% per occurrence	75.00%
3	Moderate PGs	1 Moderate PG missed	Written Correspondence Rate 1 PG assessed 1 of 4 quarters	100% per FY quarter	99.77%
4	Minor PGs	2 Minor PG missed	Reporting Requirements 1 PG waived (1 of 12 months)	100% per reporting period	85.00%
			Communication Materials 1 PG assessed (1 of 12 months)	100% per document	90.00%

Performance reporting, FY20

State of Texas Dental Choice Plan, *administered by Delta Dental*

- Performance guarantees were met for Emergency (severity level 1) and Critical (severity level 2); assessments did not apply.
- Performance guarantees were not met for Moderate (severity level 3) and Minor (severity level 4); assessments did apply.

Severity Level	PG Category	Performance Results	PG Assessments	PG Requirement	PG Actual
3	Moderate PGs	5 Moderate PGs missed	Grievance and Appeals (Pre-Service) Timely Processing 2 PGs assessed (2 of 12 months)	95% per month	0%
			Adjudication of “Clean” Paper Claims Rate 1 PG assessed (1 of 12 months)	95% per month	93%
			Grievance and Appeals (Post-Service) Timely Processing 2 PGs assessed (2 of 12 months)	95% per month	60% and 80%

Performance reporting, FY20

State of Texas Dental Choice Plan, *administered by Delta Dental (continued)*

Severity Level	PG Category	Performance Results	PG Assessments	PG Requirement	PG Actual
4	Minor PGs	11 Minor PGs missed	Reporting Requirements 6 PGs assessed (6 occurrences in 4 of 12 months)	100% per document	Range from 85% to 92%
			Communication Materials 4 PGs assessed (4 of 12 months)	100% per document	Range from 80% to 94%
			Interval Service Level 1 PG assessed (1 of 4 quarters)	80% per FY quarter	73%

Performance reporting, FY20

DeltaCare USA DHMO, administered by DeltaCare USA

- Performance guarantees were met for Emergency (severity level 1), Critical (severity level 2) and Moderate (severity level 3); assessments did not apply.
- Performance guarantees were not met for Minor (severity level 4); assessments did apply.

Severity Level	PG Category	Performance Results	PG Assessments	PG Requirement	PG Actual
4	Minor PGs	11 Minor PGs missed	Reporting Requirements 7 PG assessments (7 occurrences in 6 of 12 months)	100% per document	Range from 60% to 80%
			Communication Materials 4 PG assessments (4 of 12 months)	100% per document	Range from 50% to 92%

Performance reporting, FY20

State of Texas Vision, *administered by Superior Vision Services, Inc.*

- Performance guarantees were met for Emergency (severity level 1) and Critical (severity level 2) categories; assessments did not apply.
- Performance guarantees were not met for Moderate (severity level 3) and Minor (severity level 4) categories; assessments did apply.

Severity Level	PG Category	Performance Results	PG Assessments	PG Requirement	PG Actual
3	Moderate PGs	1 Moderate PG missed	Adjudication Rate of Clean Claims 1 PG assessed (1 of 12 months)	100% per month	93.11%
4	Minor PGs	1 Minor PG missed	Reporting Requirements 1 PG assessed (1 of 12 months)	100% per document	66.67%

Performance reporting, FY20

Optional Term Life and AD&D, *administered by Minnesota Life Insurance Company (Securian)*

- Performance guarantees were met for Emergency (severity level 1) and Minor (severity level 4); assessments did not apply.
- Performance guarantees were not met for Critical (severity level 2) and Moderate (severity level 3); assessments did apply. Performance standards and assessments did not apply to the life insurance and AD&D plans.

Severity Level	PG Category	Performance Results	PG Assessments	PG Requirement	PG Actual
2	Critical PGs	1 Critical PG missed	Resolution of Transaction Errors 1 PG assessed (1 of 12 months)	100% per month	96.29%
3	Moderate PGs	1 Moderate PG missed	Notification of File Transfer Errors 1 PG assessed (1 of 12 months)	100% per month	96.29%

Performance reporting, CY19

Texas Income Protection Plan, *administered by Reed Group Management, LLC.*

- Performance guarantees were met for Critical (severity level 2); assessments did not apply.
- Performance guarantees were not met for Emergency (severity level 1), Moderate (severity level 3) and Minor (severity level 4); assessments did apply.

Severity Level	PG Category	Performance Results	PG Assessments	PG Requirement	PG Actual
1	Emergency PGs	1 Emergency PG missed	Maintenance Eligibility File Processing 1 PG assessed (1 of 12 months)	100% per occurrence	0.00%
3	Moderate PGs	2 Moderate PGs missed	Financial Accuracy Rate of Claims 2 PGs assessed (2 of 4 quarters)	98% per quarter	96.00% and 97.00%
4	Minor PGs	2 Minor PGs under review	Interval Service Level 2 PGs assessed (2 of 4 quarters)	100% per quarter	82.89% and 62.00%

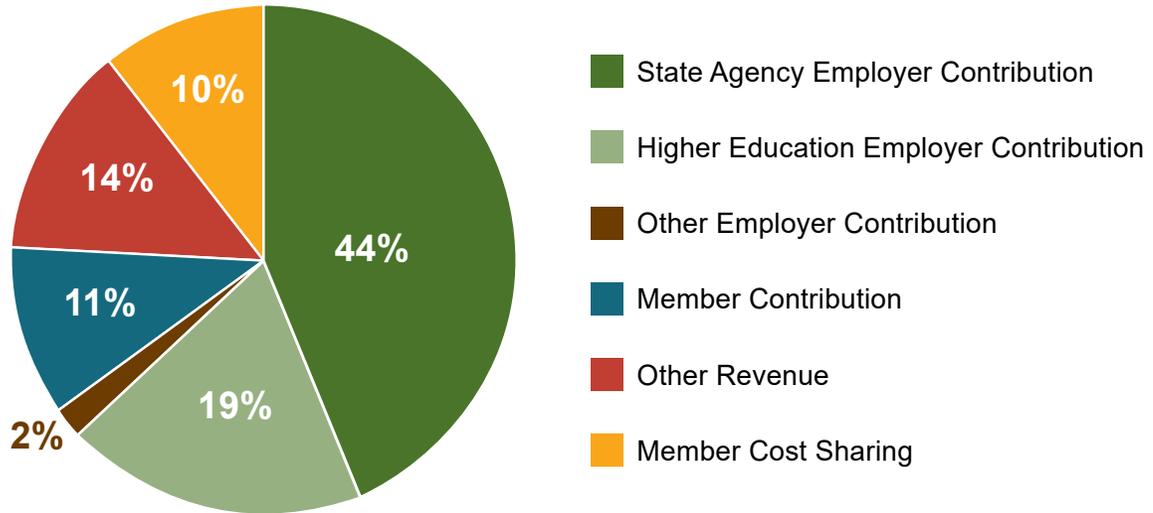
Appendix



Financial Tables Legislative Update Looking ahead to FY21

Who pays for GBP health care benefits?

Fiscal Year 2020



GBP cost by health plan, FY20

Costs in this table are based on FY20 incurred claims and are net of rebates and subsidies. Amounts in the Cost Containment section of this report are based on FY20 paid claims, which may have been incurred prior to FY20.

	Medical Cost	Pharmacy Cost	Administrative Cost	Total
HealthSelect self-funded plans*	\$2,009,997,781	\$501,380,884	\$50,645,966	\$2,562,024,631
Scott and White Care Plans	\$76,702,479	\$15,467,404	\$7,243,456	\$99,413,339
Community First Health Plans	\$14,420,977	\$3,442,875	\$2,770,537	\$20,634,389
Medicare Advantage HMO** – KelseyCare	\$1,974,707	\$1,617,768	\$562,433	\$4,154,908
Medicare Advantage PPO** – Humana	\$141,727,589	\$108,785,649	\$33,389,073	\$283,902,311
Total for all GBP Health Plans	\$2,244,823,533	\$630,694,580	\$94,611,465	\$2,970,129,578

*HealthSelect self-funded plans include HealthSelect of Texas, Consumer Directed HealthSelect, HealthSelect Out-of-State and HealthSelect Secondary

**For HealthSelect, MA HMO and MA PPO plans, the pharmacy cost is reduced to account for revenue returned through drug rebates and Medicare Part D subsidies.

GBP cost by program, FY20

Optional Program	FY20 Administrative Costs
TexFlex	\$1,149,053
State of Texas Dental Choice	\$3,850,589
DeltaCare USA DHMO	\$1,695,369
State of Texas Vision	\$850,524
Life insurance plans (all)	\$3,570,404
Texas Income Protection Plan (disability insurance)	\$5,845,978

Projected annual average health care cost trend for FY21-23

Category	Increased Use of Service	Provider Price Increases	Maintenance of Member Share	Total
Hospital	5.0%	3.0%	0.6%	8.6%
Other Medical Services	4.5%	2.2%	0.2%	6.9%
Gross Pharmacy	3.0%	4.8%	2.2%	10.0%
Total	4.3%	3.3%	0.9%	8.5%

The rates 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.

Note: Trend rates for Hospital and Other Medical Expenses are expected to be higher than normal as the utilization of elective procedures and primary care rebounds from the abnormally low level that occurred in FY20, as care was deferred during the early stages of the pandemic.

GBP health plans financial status

Summary of Actual and Projected* Health Plans Experience (through October 2020)										
\$Millions										
	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27**
							Projected			
Revenue										
State Contributions	\$2,895.2	\$2,947.9	\$2,989.8	\$2,993.4	\$2,997.0	\$2,997.0	\$3,031.5	\$3,067.8	\$3,105.9	\$3,145.8
Member Contributions	509.2	505.0	504.5	494.8	495.4	495.4	501.1	507.1	513.4	520.0
Other Revenue	421.5	588.7	621.6	602.9	669.2	697.9	740.4	780.4	817.6	852.1
Total Revenue	\$3,825.9	\$4,041.6	\$4,115.9	\$4,091.1	\$4,161.6	\$4,190.3	\$4,273.0	\$4,355.3	\$4,436.9	\$4,517.9
Health Care Expenditures										
	\$3,182.5	\$3,389.4	\$3,512.3	\$3,908.0	\$3,999.7	\$4,256.4	\$4,629.8	\$5,019.8	\$5,431.3	\$5,883.6
Net Gain (Loss)	\$643.4	\$652.2	\$603.6	\$183.1	\$161.9	(\$66.1)	(\$356.8)	(\$664.5)	(\$994.4)	(\$1,365.7)
Fund Balance	\$1,441.1	\$2,093.3	\$2,696.9	\$2,880.0	\$3,041.9	\$2,975.8	\$2,619.0	\$1,954.5	\$960.1	(\$405.6)
Other Expenses Incurred Outside of the GBP Fund										
Member Cost Sharing	\$481.2	\$472.3	\$443.7	\$443.7	\$443.7	\$443.7	\$448.8	\$454.2	\$459.8	\$465.7

*Assuming per capita funding remains at the FY21 level through FY27

**Under this scenario, the GBP's invested assets would be fully depleted in late FY27. At that time, the GBP would be unable to pay expenses and would cease to operate. Therefore, the ending Fund Balance for FY27 is shown for illustrative purposes only.

Legislative updates for the 86th session interim

- **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 data-sharing among state-funded health care programs. The updated rider (G.A.A. Art. IX 10.06) included a \$5 million appropriation via HHSC to partner with the Center for Healthcare Data at The University of Texas Health Science Center at Houston (Center for Healthcare Data) for data analysis services. The agencies submitted a joint report on the status of the project on August 31, 2020.
- **Incenting ERS health plan participants to shop** – The 86th Legislature included budget rider language for FY20-21 indicating its intent that ERS implement a shared-savings program that encourages 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 HealthSelectShoppERSSM on September 1, 2020 and monitors utilization.
- **House Bill 170** – This legislation requires health plans, including the ERS GBP health plans to cover diagnostic mammography at the same benefit level as a screening mammography. GBP health plans comply with this requirement.

Legislative updates for the 86th session interim (continued)

- **House Bill 392** – Under previous law, ERS had been permitted to procure and offer only group long-term care insurance, but with significant changes in that insurance market, it was no longer possible to offer group long-term care insurance at an affordable rate for ERS members. HB 392 allows ERS to explore individual long-term care insurance if an affordable option can be offered. ERS is working on implementing available options to provide to GBP members.
- **Senate Bill 1264** – The 86th Legislature passed legislation to prevent patient surprise balance billing in certain situations for state-regulated health plans and other state-funded plans including the ERS HealthSelect and HMO plans. Effective January 1, 2020, out-of-network providers seeking payment for emergency and certain claims for services in which the consumer had no choice of providers are given mediation or arbitrations options, allowing them to resolve billing issues with health plans rather than balance bill the patient. The GBP health plans comply with the legislation.

The ERS Board of Trustees and staff will monitor the implementation of these and other insurance-related legislation to identify potential recommendations for future statutory changes that allow ERS to efficiently administer the GBP plans.

HealthSelectShoppERSSM incents smart shopping for in-network medical services and procedures

Launched on September 1, 2020, this incentive program is for active employees enrolled in HealthSelect of Texas, HealthSelect Out-of-State or Consumer Directed HealthSelect. Employees can earn up to \$500 each plan year to be credited to a flexible spending account when they or their covered dependents compare prices on certain provider-recommended medical procedures or services, and then select a rewards-eligible location for the procedure or service.



How it works:

- Log in to Blue Access for Members at **www.healthselectoftexas.com**, click the “Doctors and Hospitals” tab, and then the “Find a Doctor or Hospital” link.
- In Provider Finder[®], select “Browse by Category” and type in the name of your procedure to search.
- From the list of health care providers (facilities) that perform the procedure, follow the prompts to select a lower-cost, quality provider that qualifies for a HealthSelectShoppERS reward.
- Have the procedure at the HealthSelectShoppERS-eligible facility.
Note: A referral or prior authorization may be required for the procedure.

ERS enhances diabetic supply benefit in FY21

To help participants with diabetes reduce their out-of-pocket costs, improve adherence to glucose monitoring and provide additional convenience for obtaining diabetic supplies, ERS expanded coverage for diabetic supplies for those enrolled in HealthSelect of Texas and Consumer Directed HealthSelect. Effective September 1, 2020, in addition to existing coverage under the HealthSelect medical plans, diabetic supplies are available through the HealthSelect Prescription Drug Program (PDP) as shown below.

- Through the Free Glucose Meter Program, eligible participants can receive either a free OneTouch Verio or One Touch Verio Flex glucometer annually.
- Eligible HealthSelect of Texas participants have a \$0 copay for test strips used with the Verio meter, as well as lancets and lancing devices, when purchased at an in-network pharmacy.
- After Consumer Directed HealthSelect participants first meet their annual deductible, Verio test strips and lancets/lancing devices are covered at 100% when purchased at an in-network pharmacy in accordance with IRS requirements for qualified high-deductible health plans.
- Other diabetic supplies are now covered under OptumRx's formulary with either a tier 2 or tier 3 copay for HealthSelect of Texas participants or coinsurance for the Consumer Directed HealthSelect participants, depending on the brand used.

Medicare primary participants should check their plan for diabetic supply coverage details.

Mental health provider network more than doubles for FY21

On September 1, 2020, Blue Cross and Blue Shield of Texas (BCBSTX) began managing mental health benefits for HealthSelect of Texas and Consumer Directed HealthSelect participants, replacing Magellan Healthcare®.

- Participants gained access to about 10,000 additional mental health providers not previously contracted with Magellan.
- Participants also benefit by having just one company to call for medical and mental health benefits questions and one website to visit and view claims.

Expansion of tobacco use definition

ERS requires every GBP health plan participant who uses tobacco products to certify as a tobacco user and pay a \$30 monthly surcharge (no more than \$90 per family) for health insurance coverage.

In March 2020, the ERS Board of Trustees voted to update the definition of tobacco products in ERS' tobacco policy. Under the new definition, tobacco products are any type of tobacco, including but not limited to cigarettes, cigars, pipe tobacco, chewing tobacco, snuff, dip and all e-cigarette or vaping products.

Regional HMOs will no longer be offered in the GBP

HB 1 (General Appropriations Act, Fiscal Year 2020-2021), Rider 7 of the ERS budget prohibits state contributions allocated to fund coverage in an optional health plan from exceeding the actuarially determined total amount of state contributions that would be required to fund basic health coverage, which is HealthSelect coverage.

Per Rider 7 of House Bill 1, due to the cost of HMO plan coverage exceeding the cost of basic health coverage through HealthSelect of Texas plans, the remaining non-Medicare Advantage regional HMOs will not be available in the GBP after August 31, 2021.

Because UnitedHealthcare's recent bid to insure HealthSelect Medicare Advantage was lower than the cost for KelseyCare Advantage, ERS cannot offer KelseyCare Advantage in the GBP after December 31, 2020.

