

Texas Employees Group Benefits Program Annual Report FY23

Employees Retirement System of Texas

FEBRUARY 2024



ERS[®]
EMPLOYEES RETIREMENT
SYSTEM OF TEXAS

Employees Retirement System of Texas

Executive Director

Porter Wilson

Board of Trustees

Brian Barth, chair

I. Craig Hester, vice-chair

Neika Clark

Stuart Greenfield, Ph.D

James (Jim) Kee, Ph.D.

John R. Rutherford

200 E. 18th Street

Austin, Texas 78701

www.ers.texas.gov

February 2024

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: HealthSelectSM Medicare Advantage **Section 4, pages 37-42**

Cost Trends **Section 5, pages 43-51**

Best Practices **Section 6, pages 52-65**

Cost Management and Fraud Prevention **Section 7, pages 66-79**

Performance Monitoring **Section 8, pages 80-93**

Appendix **Section 9, pages 94-104**

Overview



FY23 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

The member and state contribution rates for HealthSelectSM insurance coverage 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: \$8.5 billion in FY23

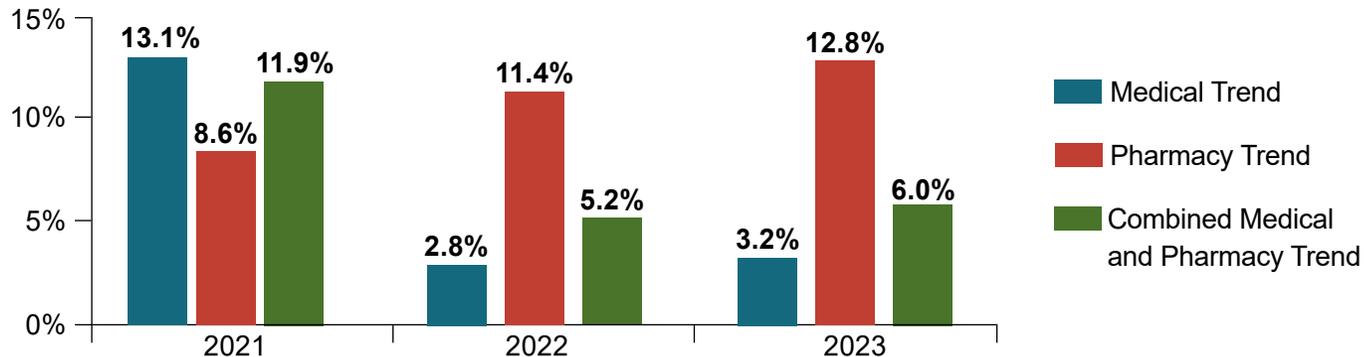
HealthSelect plans provide significant savings with a broad network of medical providers and pharmacies that have contracted with the plan at negotiated, discounted rates. **This strong, network provides high-quality care to participants while managing and controlling health care costs for the state.**

HealthSelect's pharmacy benefits manager (PBM) and third-party administrator (TPA) have negotiated discounted rates with nearly 7,000 pharmacies and more than 155,000 health care providers and facilities across the state, including more than 22,000 primary care physicians.



The self-funded HealthSelect plans experienced a higher cost trend in FY23 than in FY22, driven by pharmacy costs

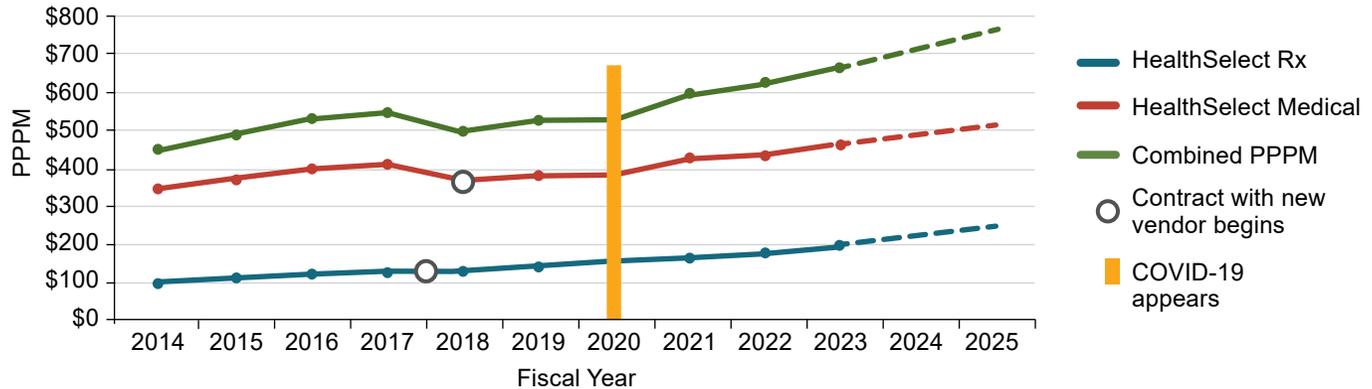
FY23 medical trend was lower than historical averages due to continued reductions in COVID-19-related costs. Pharmacy trend was higher than average, driven in large part by increased spend on new GLP-1 agonists medications Ozempic[®] and Mounjaro[™]. The result was a combined trend that was slightly lower than historical norms.



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, changes in the HealthSelect PBM contract (effective FY17) and the HealthSelect medical TPA contract (effective FY18) 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 design helps keep the plan affordable

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.

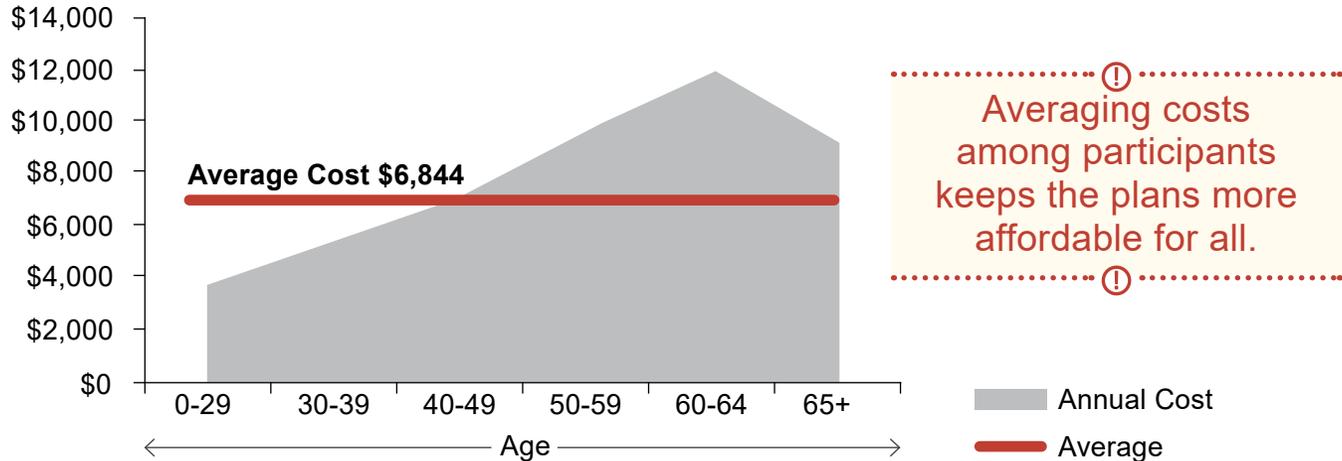


88% of HealthSelect of Texas participants have designated a PCP.

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.

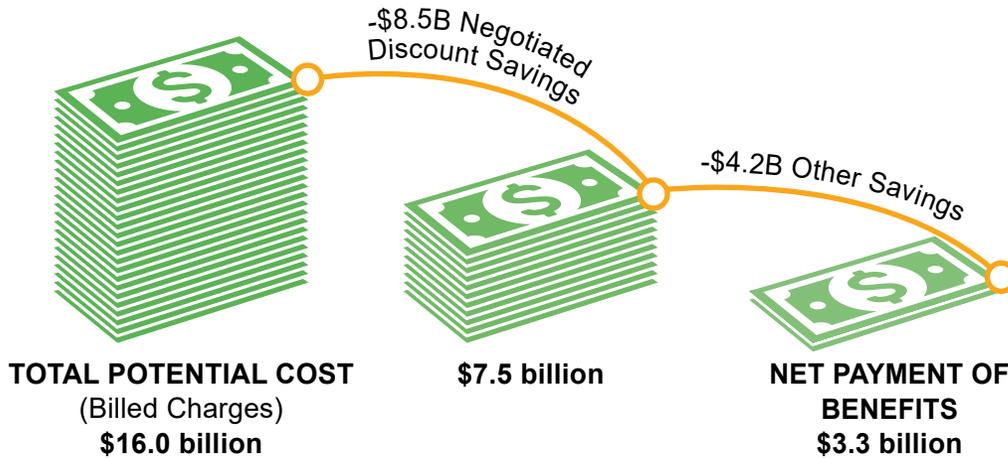
HealthSelect's average annual claims cost per participant, by age group, all medical and pharmacy* claims, FY23



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

Effective management reduced FY23 HealthSelect costs by \$12.7 billion

Largely as a result of strategic and effective contracting, the plans paid \$3.3 billion in health care costs, instead of the \$16.0 billion that could have been paid without active plan management.



HealthSelect at a glance



Portion of every HealthSelect dollar spent on administrative costs

HealthSelect^{of Texas}

Average annual HealthSelect cost per participant: **\$6,844**



Annual savings due to removing ineligible dependents: **\$6.1M**



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



Potential cost of member-only monthly rate without cost-management savings: **\$3,057**



Cost of member-only monthly rate with cost-management savings: **\$622.60**

HealthSelect at a glance



Savings from HealthSelect
cost management practices:
\$12.7B



Number of HealthSelect medical
and mental health virtual visits*:
125,856



Payments from all GBP health plans to
doctors, hospitals, pharmacies and other
care providers across Texas: **\$3.5B**



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

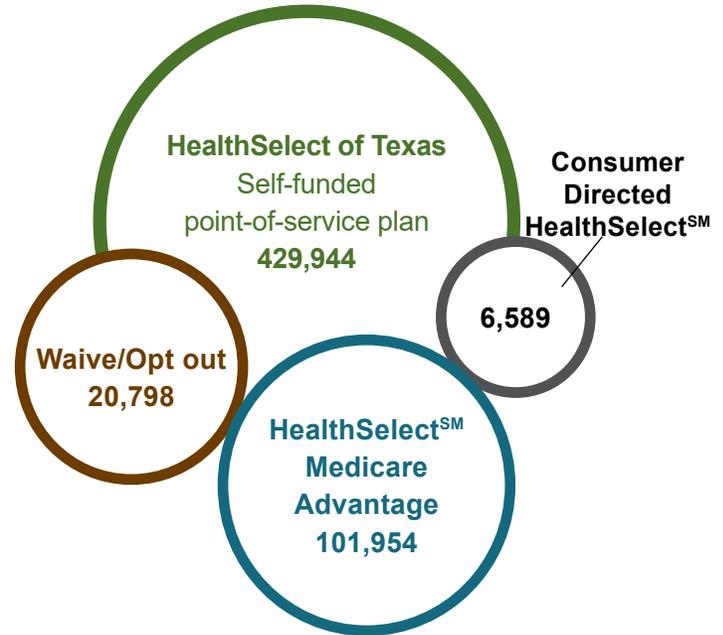
ERS has administered insurance benefits for state agency employees and retirees since 1976. Employees and retirees of Texas public community colleges and higher education institutions, other than the University of Texas and Texas A&M University systems, joined in 1992.

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 Consumer Directed HealthSelectSM. Important deadlines apply. Nearly 21,000 eligible employees and retirees elected to waive or opt out of GBP health plan coverage in FY23.

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

Aug. 31, 2023



GBP benefits available in FY23

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

GBP benefits available in FY23 (continued)



State of Texas Employees flexible benefit program

TexFlexSM flexible spending account (FSA) program
§ 125 reimbursement account

- TexFlexSM health care FSA
- TexFlexSM dependent care FSA
- TexFlexSM limited-purpose FSA



Short- and long-term disability insurance

Texas Income Protection PlanSM (TIPP)

- Short-term disability
- Long-term disability

GBP health insurance choices – FY23 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 Sept. 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 member contribution rates for dependent coverage 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. Members 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.



2023 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 CY23

	Individual Coverage	Family Coverage
Annual maximum contribution	\$3,850	\$7,750
Annual state contribution	\$540 (\$45 monthly)	\$1,080 (\$90 monthly)
Annual maximum participant contribution	\$3,310	\$6,670

Note: A participant age 55 and older may make an additional \$1,000 "catch-up" contribution.

HSA Activity (Jan. 1 – Aug. 31, 2023)	
Number of accounts active	1,931
Average account balance	\$1,154
Average employee monthly contribution	\$235

Retiree health insurance

In addition to the HealthSelect plans, the GBP offers eligible retirees a Medicare Advantage option with lower member contribution rates for dependent coverage and with no medical deductible.

- **HealthSelectSM Medicare Advantage** (nationwide MA PPO plan) administered by UnitedHealthcare[®]

The Medicare Advantage plan includes prescription drug coverage by **HealthSelectSM Medicare Rx**, administered by UnitedHealthcare in PY23 and by Express Scripts, Inc. beginning in PY24.

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

HealthSelectSM
Medicare Advantage Plan



HealthSelectSM
Medicare  of Texas

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 a portion of the cost of coverage for retirees who are eligible for GBP health insurance. The amount the state currently contributes to the cost of a retiree's health insurance coverage depends on several factors. ERS benefits counselors provide information about the tiered contribution structure to assist ERS members with retirement planning.

The state pays a percentage of the coverage 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-only coverage rate with 10 years to 14 years, 11 months of service
- 75% of member-only coverage rate with 15 years to 19 years, 11 months of service
- 100% of member-only coverage rate with at least 20 years of service or, for certain retirees, with at least 10 years of service, and with at least 5 of those service years occurring before Sept. 1, 2014.

The state pays half of the amount shown above for retirees who worked part-time during their last three months of employment before retirement and for the coverage rate for a retiree's dependent.

HealthSelectSM 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 significantly on the cost of coverage by enrolling in this plan.



82%

of eligible retirees and spouses enrolled in the MA plan

All GBP health plans include prescription drug coverage

HealthSelectSM Prescription Drug Program (PDP).

All HealthSelect participants not enrolled in Medicare receive drug benefits through the HealthSelect Prescription Drug Program.

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 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 PY23 the plan was administered by UnitedHealthcare[®] Services, Inc., also known as Optum Rx.

Express Scripts, Inc. became the administrator for both HealthSelect PDP and HealthSelect Medicare Rx beginning Jan. 1, 2024.



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	FY23 TPA/Insurer	FY23 Enrollment
Dental	PPO	Self-funded	Delta Dental	378,500
	HMO	Fully insured	DeltaCare® USA	92,795
Vision	Vision insurance	Self-funded	Superior Vision Services	310,272
Optional Life	Group term insurance	Fully insured	Minnesota Life Insurance Co.	215,021
Dependent Life				95,857
Voluntary AD&D	Group term insurance	Fully insured	Minnesota Life Insurance Co.	123,146
Texas Income Protection Plan (Disability Insurance)	Short-term	Self-funded	ReedGroup	107,233
	Long-term	Self-funded		81,849
TexFlex	Flexible spending accounts	NA	PayFlex® Systems USA, Inc.	38,975

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 PlanSM**, a self-funded national preferred provider organization (PPO), administered by Delta Dental
- **DeltaCare[®] USA DHMO**, a fully-insured dental health maintenance organization (DHMO) plan with a Texas network, administered by DeltaCare[®] USA
- **State of Texas VisionSM**, 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 in PY23. EyeMed Vision Care, LLC (EyeMed) became the new administrator in PY24.

STATE OF TEXAS
DENTAL CHOICE PLAN



DeltaCare[®] USA



STATE OF TEXAS
VISION

FY23 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 FY23: \$2,850 per member	Maximum contribution FY23: \$2,850 per member	Maximum contribution FY23: \$5,000 per household
Eligible expenses include: <ul style="list-style-type: none"> • Copays and coinsurance • Dental expenses • Eyeglasses/LASIK/contacts • Medical supplies • Other eligible expenses as determined by the IRS 	Available to Consumer Directed HealthSelect members 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
\$570* allowable carryover	\$570* allowable carryover	Eligible for grace period
Subject to forfeiture	Subject to forfeiture	Subject to forfeiture
Accounts: 36,330	Accounts: 202	Accounts: 2,443

*Increased to \$610 in FY24.

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 Group, Inc., 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 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 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 FY23 HealthSelect coverage costs

	Premium	State Pays	Member* Pays
HealthSelect of Texas			
Member Only	\$622.60	\$622.60	\$0.00
You + Spouse	\$1,338.60	\$980.60	\$358.00
You + Children	\$1,102.00	\$862.30	\$239.70
You + Family	\$1,818.00	\$1,220.30	\$597.70
Consumer Directed HealthSelect **			
Member Only	\$622.60	\$622.60	\$0.00
You + Spouse	\$1,302.80	\$980.60	\$322.20
You + Children	\$1,078.02	\$862.30	\$215.72
You + Family	\$1,758.22	\$1,220.30	\$537.92

Rates do not include the cost for Basic Term Life Insurance coverage

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

**The "State Pays" amount for Consumer Directed HealthSelect coverages includes a monthly contribution to the member's Optum Bank health savings account (HSA).

GBP Plan Changes, FY23

Fiscal Year 2023	HealthSelect of Texas	<ul style="list-style-type: none"> • In accordance with the federal No Surprises Act, clarified benefits related to surprise billing and continuation of care and reduced the copay for non-network free standing emergency rooms from \$300 to \$150 • Implemented the prior authorization exemption (“Gold Carding”), in accordance with HB 3459 • Removed the prior authorization requirement for diagnostic mammograms, including MRI of the breast, in accordance with SB 1065
	HealthSelect of Texas Prescription Drug Program (PDP), Consumer Directed HealthSelect PDP	<ul style="list-style-type: none"> • Implemented the prior authorization exemption (“Gold Carding”) in accordance with HB 3459 • Capped the cost of formulary insulin to \$25 per 30 day supply, regardless of tier, in accordance with SB 827 and the federal Inflation Reduction Act

GBP Plan Changes, FY23

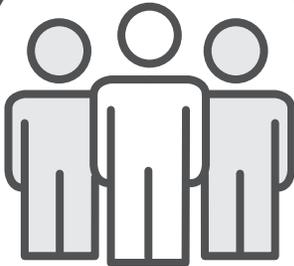
Fiscal Year 2023	HealthSelect Medicare Rx PDP	On Jan. 1, 2023, capped the cost of formulary insulin to \$25 per 30-day supply, regardless of tier
	State of Texas Dental Choice	<ul style="list-style-type: none">• Added coverage for the replacement of restorative material used to close an access opening of a screw-retained implant• Added coverage of 3D clinical surface scans and 3D facial surface scans

GBP Plan Changes, FY23 (continued)

The federal Public Health Emergency related to COVID-19 ended May 11, 2023. ERS elected to continue some of the COVID-19-related plan changes in place through the end of PY23 (8/31/23), at which point those services would be covered as any other illness or condition. **The following benefits ended on May 11, 2023, in alignment with the end of the federal Public Health Emergency.**

Fiscal Year 2023	HealthSelect of Texas	Ended May 11, 2023: <ul style="list-style-type: none">• \$0 cost share for physician-ordered, non-network lab testing for COVID-19• Waiver of prior authorization or referral relative to COVID-19
	Consumer Directed HealthSelect	Ended May 11, 2023: <ul style="list-style-type: none">• \$0 cost share for physician-ordered, non-network lab testing for COVID-19

Whom We Serve



...about our members

Who can enroll in the GBP?

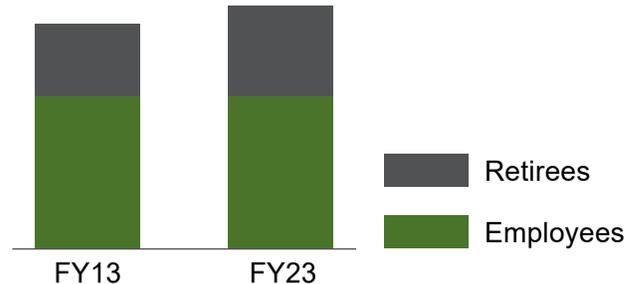
The GBP provides health insurance coverage and optional benefits to employees and retirees of state agencies and public institutions of higher education (except the University of Texas and Texas A&M University systems), and their eligible family members.

Of those enrolled in health insurance plans:

- The average age of GBP members (employees and retirees) is 55.
- About one-third work in or retired from higher education.
- The retiree population has grown 39% over 10 years.

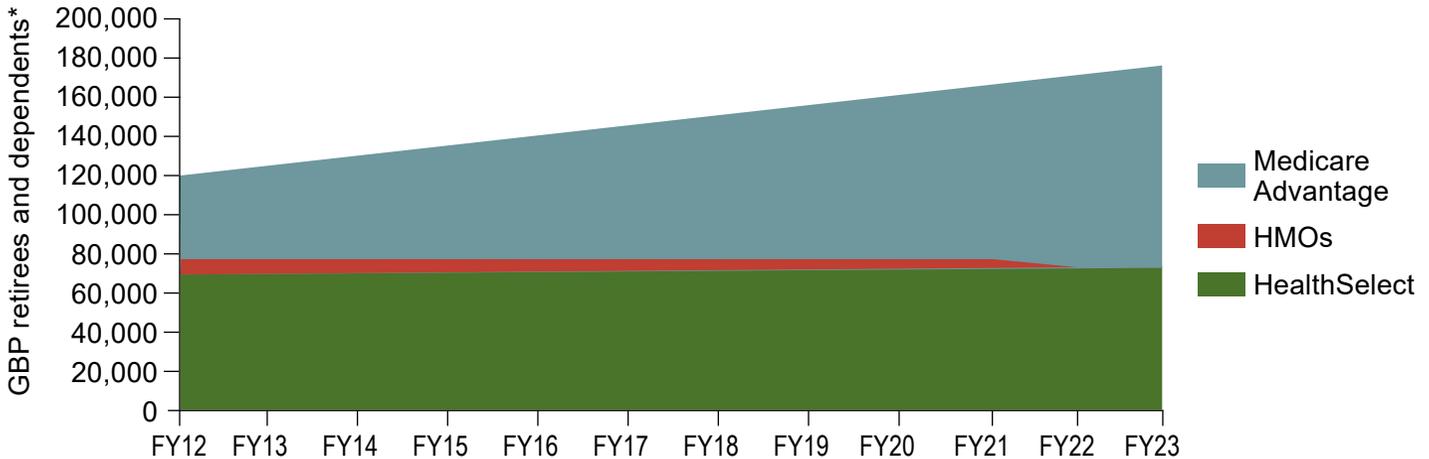
GBP health insurance enrollment (members - not including dependents)

	FY13	FY23	% Change
Employees	208,091	208,729	0.3%
Retirees	93,001	129,342	39.1%
Total	301,092	338,071	12.3%



The increasing retiree population drives health insurance enrollment growth.

Since the HealthSelect Medicare Advantage (MA PPO) plan became available in FY12, a growing number of retirees enrolling in GBP health plans prefer the MA PPO plan.



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



Retirees choosing the MA plan saved \$94 million in FY23 member contributions for coverage.

GBP health plan member demographics (FY23)

	Active Employees	Pre-65 Retirees	65+ Retirees	All Members*
Total Number	208,729	33,025	96,317	338,071
Average Member Age	45 years	59 years	74 years	55 years
Average Dependent Age	22 years	38 years	68 years	30 years
% Who Enroll Dependents	36%	28%	24%	32%
Gender	59% female 41% 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 for common chronic conditions such as high blood pressure, heart disease and diabetes increases.

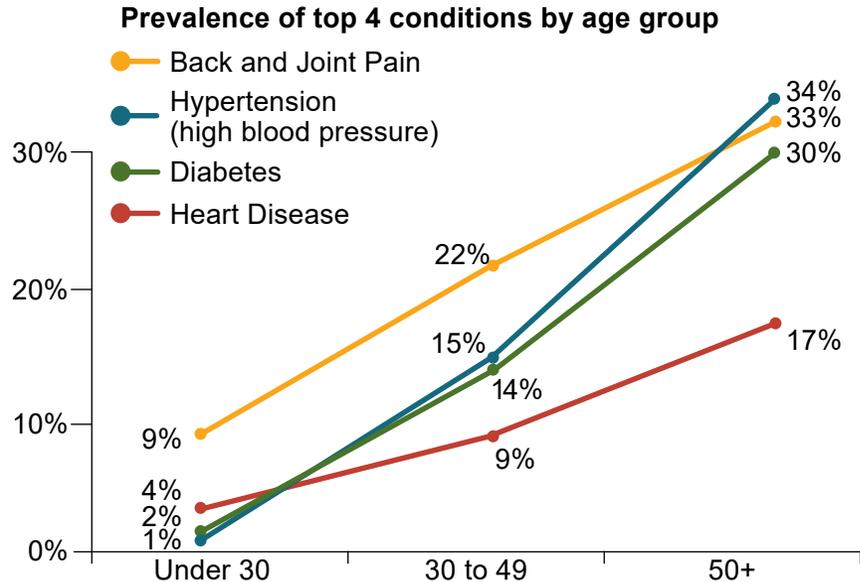
The average age of a GBP member (both employees and retirees) is 55.

Without treatment and/or lifestyle modifications, these conditions can lead to higher plan costs.

Early detection of conditions through preventive exams can help members effectively manage them.

Source: BCBSTX Healthcare Economics Team

Percentage of FY23 HealthSelect population living with chronic conditions (Medicare population not included)



Spotlight:

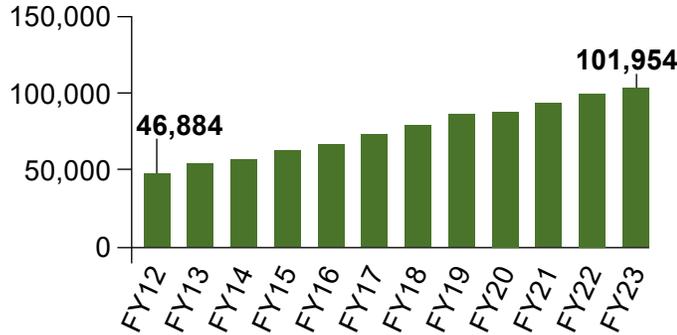


HealthSelectSM Medicare Advantage

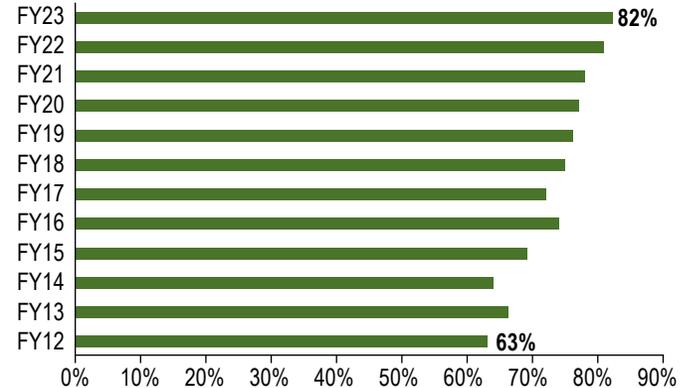
Over a decade of growth in HealthSelectSM Medicare Advantage

Since HealthSelect Medicare Advantage was introduced in FY12, this fully insured plan is the fastest growing GBP health plan and has more than doubled enrollment. Medicare-eligible retirees in the GBP increasingly choose this plan for the significant savings on member contributions for coverage and its additional programs that support health and wellness.

Enrollment has more than doubled since FY12



The portion of Medicare-eligible population choosing Medicare Advantage has grown 19 percentage points since FY12



Enhanced benefit programs provide additional services for HealthSelectSM Medicare Advantage participants

Beyond coverage of health care services, this plan offers extra benefit programs that are popular with GBP retirees.

As of Sept. 30, 2023, 17,854 plan participants enrolled in **Silver Sneakers**, a fitness and lifestyle benefit, offering memberships to thousands of fitness locations and:

- group exercise classes designed for all abilities
- fun activities held outside the gym
- online workout videos that feature tips on fitness and nutrition
- LIVE virtual classes and workshops throughout the week

The logo for Silver Sneakers, featuring the word "Silver" in a grey sans-serif font and "Sneakers" in a blue sans-serif font, with a registered trademark symbol (®) to the upper right.

Participant feedback

"I really was very pleased; the young lady that I spoke with was very courteous and kind. I was asking about the SilverSneakers, and she shared the information with me so that I could go to a gym for exercise. I appreciated her help very much."



"I can't think of a thing that you could have done better. You answered my question regarding one physical fitness place and then found two others that are also nearby, so I was very happy to learn that there was more than one option."

Enhanced benefit programs provide additional services for HealthSelectSM Medicare Advantage participants (continued)

UnitedHealthcare Healthy at Home offers in-home support for participants after an inpatient hospital stay or facility discharge.

Participants are eligible for the following services, up to 30 days post-discharge:



28 home-delivered meals



12 one-way rides to medically related appointments and to the pharmacy



6 hours of non-medical personal care provided through a CareLinx professional caregiver to perform tasks such as preparing meals, bathing, medication reminders, and more.



CY23 to date (as of Sept. 30):

- **19,655** meals shipped
- **7,188** rides completed
- **382** in-home caregiver visits

“

Participant
feedback

“There is nothing y’all could do better. The representative was awesome and she made all the phone calls for me and scheduled everything that I needed scheduled.”

”

Enhanced benefit programs provide additional services for HealthSelectSM Medicare Advantage participants (continued)

Over-the-Counter (OTC) Benefit

Plan participants receive a pre-paid debit card at their enrollment, to which \$40 is applied the first day of each calendar quarter thereafter to pay for:

- over-the-counter products such as bandages, vitamins, and walkers.
- items in the OTC catalog provided by UnitedHealthcare, both online and at several retail locations such as Walmart, Walgreens, CVS, and Kroger.

The quarterly \$40 credit may be carried over quarter to quarter, but must be used by December 31 of each year or the funds are forfeited.

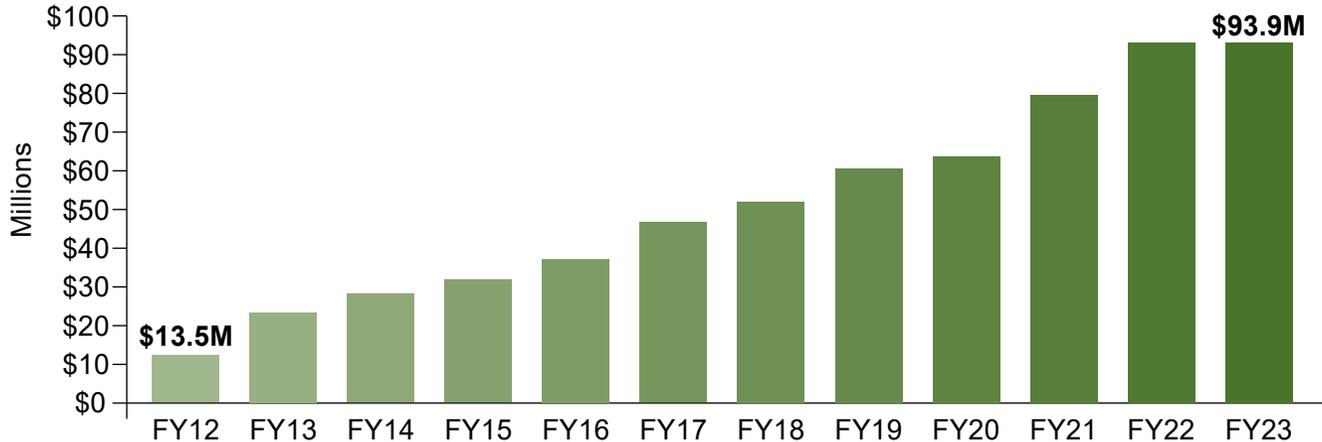
In CY23 to date (as of Sept. 30), 37,748 plan participants (roughly 40%) used their OTC benefit.



HealthSelectSM Medicare Advantage saves retirees money in their contributions for coverage

Since the MA plan began in FY12, enrolled retirees making tiered and/or dependent coverage contributions realized a \$634M savings compared to the HealthSelect Secondary plan over that time.

Member savings on contributions for coverage



Cost Trends



The projected FY24-26 trend is 7.2% (average annual health plan cost)

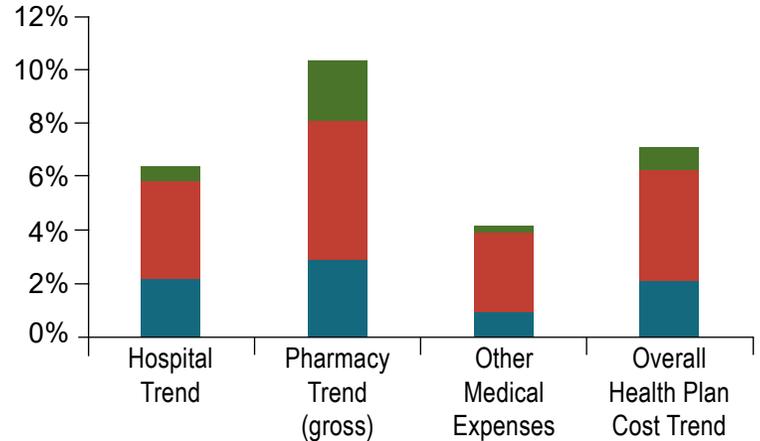
The major components of the projected plan cost trend are increases in:

- 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 structure, driven by the plans paying more while member copays stay the same dollar level.



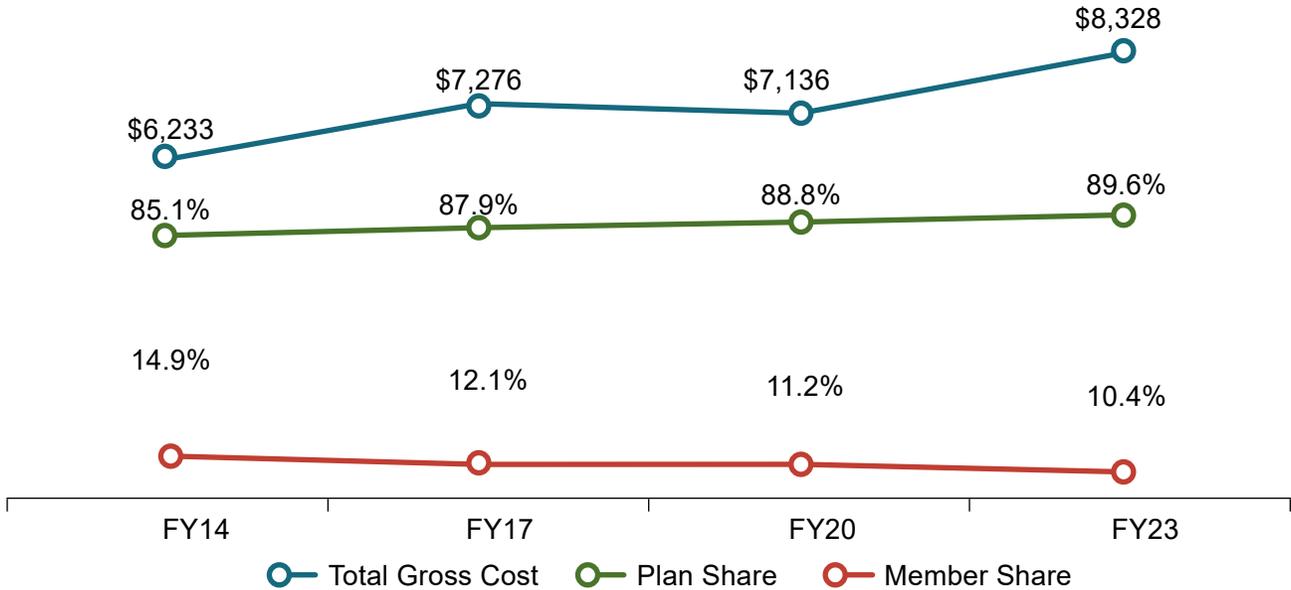
Inflation and utilization are common cost drivers to all plans, not just HealthSelect

Projected HealthSelect benefit cost trends, FY24-26



- 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

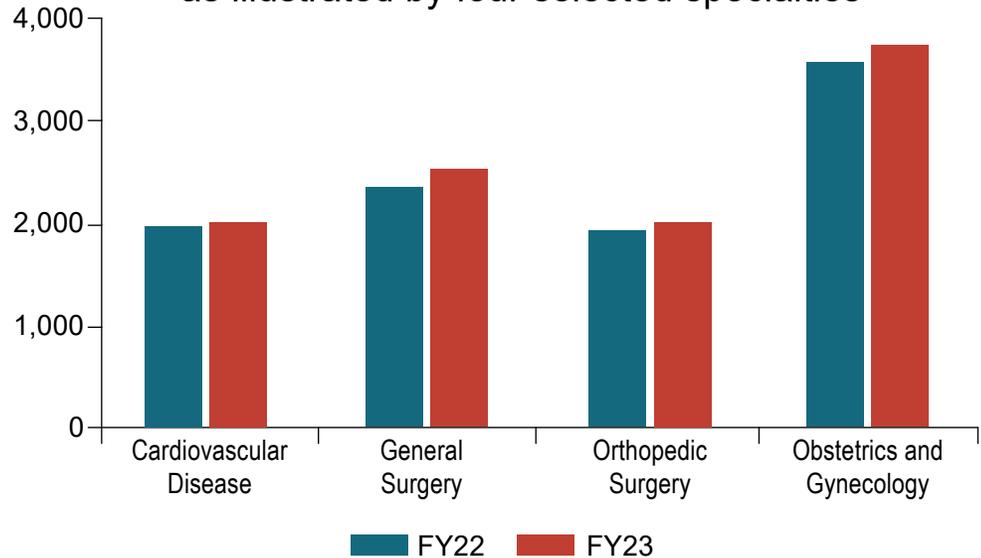
The broad HealthSelect provider network continues to grow, offering participants significant provider choice.

The network now offers 22,494 primary care physicians, up 10.9% from FY22. The percentage of providers accepting new patients exceeded 97%.

The number of mental health providers for FY23 is 25,060, a 13.7% increase compared to FY22.

In FY23, participant satisfaction with the network was 91%.

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



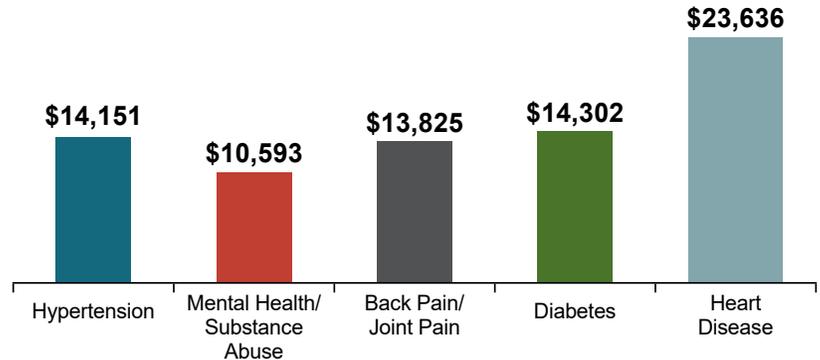
FY23 plan costs for a HealthSelect participant living with a chronic condition were higher than the \$6,844 average for all participants

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

- Hypertension: 16%
- Mental Health and Substance Abuse: 20%
- Back and Joint Pain: 19%
- Diabetes: 14%
- Heart Disease: 9%

Note: Participants are counted in each category for which they had a medical claim in FY23. 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 population excluded.

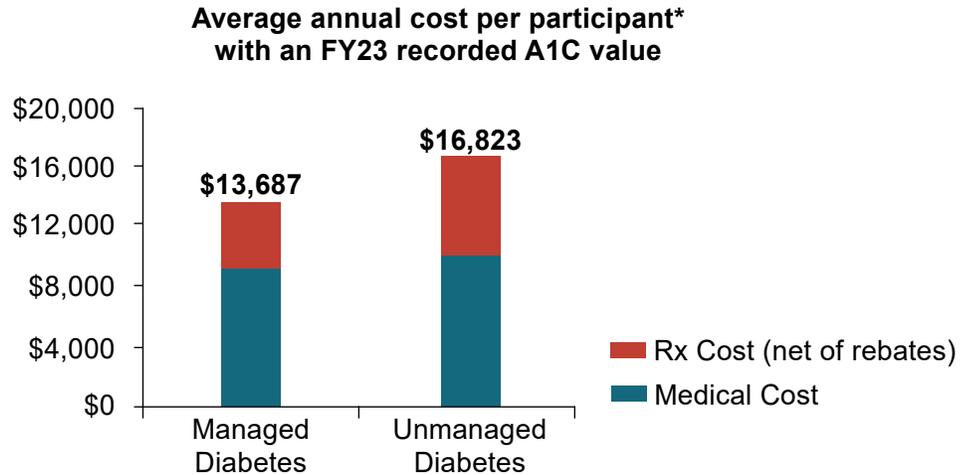
Managing diabetes helps both the participant and the plan

In FY23, participants with managed diabetes, who were not Medicare-primary, had 20% fewer emergency room visits and 34% fewer inpatient admissions than those with unmanaged diabetes.

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

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

Those with managed diabetes experience average costs that are 19% lower



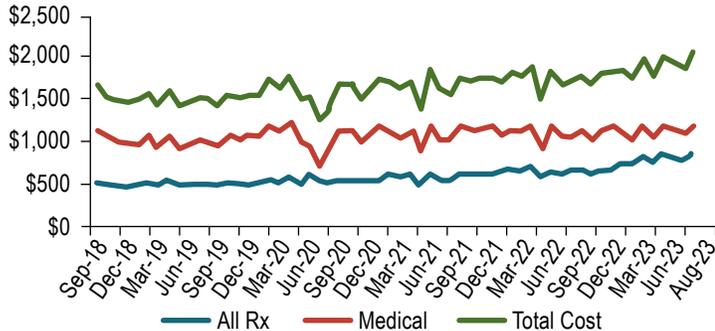
*Represents 41% of the total population with diabetes referenced in the previous slide on certain chronic conditions.

The impact of new, high-cost GPL-1 agonist drugs: Ozempic® and Mounjaro™

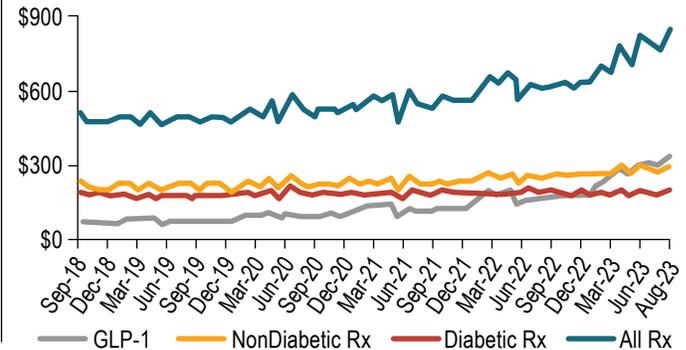
These high-cost drugs are rapidly increasing in use and have received considerable media attention due to the significant weight loss associated with their use. In order to maintain the positive results, a patient typically must take the medication indefinitely.

GLP-1 agonists, which the plan covers for the treatment of diabetes, accounted for 42% of the \$218.3 million increase in PY23 spend on all drugs, and are the main cost driver for the monthly average increase in drug spend and in health care spend for a participant with diabetes.

Average monthly health care costs
(medical and pharmacy)

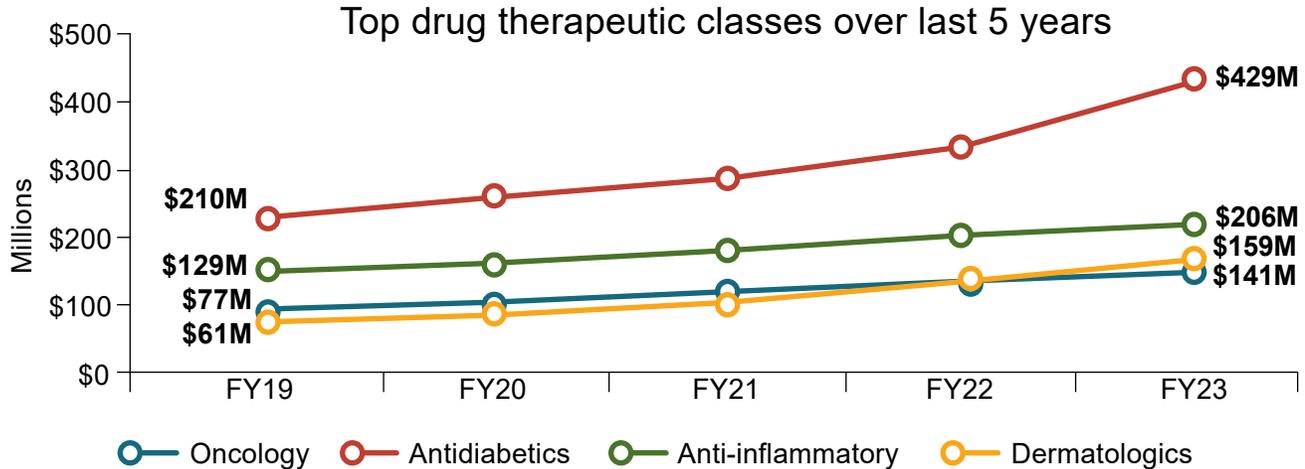


Average monthly pharmacy costs



The top 4 highest-cost drug therapeutic classes account for 57% 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 the emergence of new GLP-1 agonists to treat diabetes, such as Ozempic® and Mounjaro™, as well as increasing drug prices and utilization.

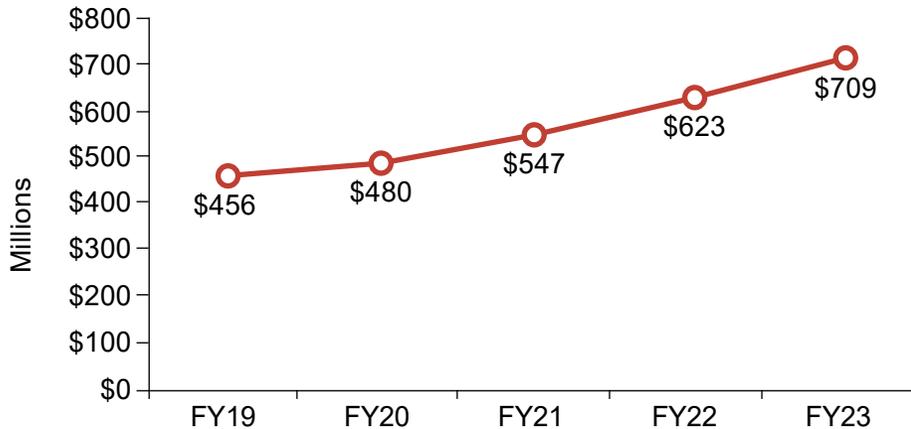


Note: Amounts are gross, not net of rebates.

Specialty drugs represented 2% of all FY23 prescriptions filled and 43% of total prescription drug spend

The HealthSelect self-funded plans paid \$709 million for approximately 138,000 specialty claims, before rebates.

Specialty drug costs have increased 55% in 4 years



Top Three Specialty Conditions

- Inflammatory diseases
- Inflammatory skin conditions
- Cancers

Note: Amounts are gross amounts, not net of rebates. Amounts for previous years have changed due to a revised methodology described on page 104 of the Appendix.

Best Practices



...successes and
new programs
in FY23

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

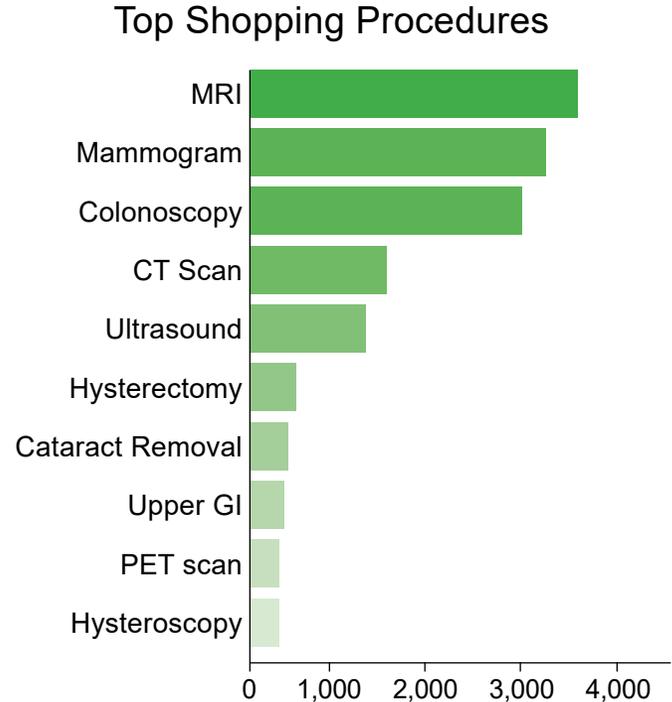
The 86th Legislature included budget rider language for FY20-21 indicating its intent that ERS implement a shared-savings program to encourage HealthSelect active employees and their non-Medicare dependents to shop for in-network, lower-cost, high-quality healthcare services by sharing the savings with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

- **51%** of eligible households activated HealthSelectShoppers (electronically or telephonically) since the program began
- Of those activated, **11%** shopped and received an incentive in FY23
- FY23 gross plan savings: **\$917,355**
- Program-to-date savings (Sept. 1, 2020 - Aug. 31, 2023): **\$2,375,327**
- FY23 incentives earned: **\$122,385**
- Program-to-date incentives: **\$362,335**



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 in-network contracting arrangements are underway to keep health care 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 FY22, PCMH practices saved the plan \$132.8 million and providers received \$35.7 million in shared-savings payments, in addition to their contracted reimbursements for medical care. FY23 savings have not yet been finalized.

Austin Regional Clinic
Austin – **24,268**

Austin Diagnostic Clinic P.A.
Austin – **3,862**

Covenant Health Partners
Lubbock – **7,606**

Christus Connected Care Network
Tyler – **5,273**

Amarillo Legacy Medical ACO, LLC
Amarillo – **2,793**

UMC Health Network, Inc.
Lubbock – **7,670**

Catalyst Health Network
Lufkin – **5,160**



56,632
TOTAL PCMH
PARTICIPANTS
IN FY23

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. In FY23, 190 participants sought knee replacement services, and 189 participants sought hip replacement services through these arrangements. 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 52 participants with knee replacement services and 51 participants with hip replacement services in FY23.

HealthSelect virtual visits grew 20% in FY23

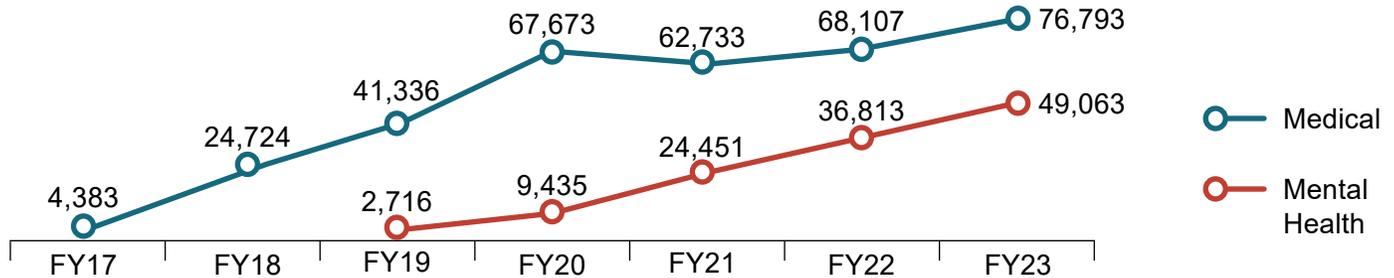
Virtual Visits are those visits received through Doctor On Demand® and MDLIVE® which connect participants with a licensed provider directly through their mobile devices or computers. Virtual Visits also contribute to lower plan costs.

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:

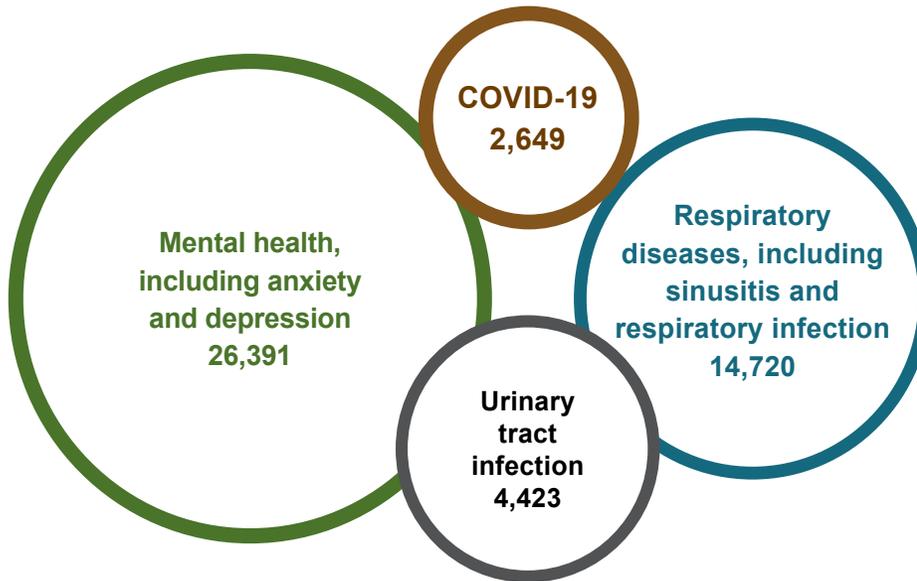
- Doctor On Demand: 4.9 on a 5-point scale
- MDLIVE: 88% positive

Both medical and mental health Virtual Visits increased



Most common Virtual Visit conditions in FY23

The most common condition for a Virtual Visit with MDLive or Doctor On Demand was a mental health condition, which is often treated with a series of counseling sessions. A respiratory disease was the second most common reason for making a Virtual Visit.



Wellness: Statewide virtual fitness platform

Collaboration among wellness champions at various state agencies and higher education institutions extends the reach of ERS wellness initiatives and creates multi-agency opportunities for wellness, like the new statewide virtual fitness platform. ERS plays a central role in supporting these wellness champions and the many agencies and institutions across the state.

The statewide virtual fitness platform is an online hub of live fitness classes led by state employees and offered at no cost (<https://wellness.texas.gov/Challenge.htm>) to state and higher education employees across Texas. The classes are promoted during the annual statewide Get Fit Texas! Challenge as a way to get healthier together as a community.

66



“I could see progress in me each day. Initially it would take me a couple of minutes to get in the groove, but after the first few sessions, I was ready to rock and roll with the rest of the crew. I loved the reminder of “Do You” to remind me to work at my capability and listen to my body. The option for using the chair for almost all exercises was helpful.”

– 2023 Get Fit Texas! participant about the online fitness classes

67



The third annual Virtual Wellness Fair is another example of multi-agency collaboration. 2,750 employees from over 130 GBP employers participated in a three-day schedule of 24 sessions, including webinars, cooking demonstrations and fitness classes.

Wellness: Supporting financial wellness

ERS/Trellis outreach campaign on federal student loan debt forgiveness supported eligible employees' financial wellness

The decades-old federal Public Service Loan Forgiveness Program (PSLF) is an opportunity for public-sector employers to recruit and retain employees. As such employees, GBP populations (state and higher education employees) are able to earn relief from a portion of federal student loan debt after 10 years of public service. To be eligible, an employee must make monthly payments on their federal student loan debt while working for a non-profit or public entity, like a state agency, public school, college or university. Once they've completed 120 of these payments, the balance on their debt can be forgiven.



In the summer of 2022, the Trellis Company—a non-profit that supports applicants for student loan forgiveness—approached ERS, offering support to GBP populations that could benefit from a waiver that temporarily modified qualifications through Oct. 31, 2022.

ERS coordinated a two-month outreach effort with Trellis during August and September of 2022 to raise awareness of PSLF and to bring Trellis' live support to GBP populations.

Wellness: Supporting financial wellness

ERS/Trellis outreach campaign on federal student loan debt forgiveness (continued)

The campaign, which reached several thousand interested people, included a customized webpage, articles in GBP-subscriber publications, live webinars, a podcast episode, and email/text/phone support from Trellis.

In spring of 2023, ERS surveyed the 1,100 people who participated in the webinars and received 339 responses.

- 41 responded that their loans were forgiven and 170 said that their applications were still in process
- Federal student debt amounts that were reportedly forgiven among respondents ranged from \$2,200 to \$200,000.

Below is feedback from respondents that represents the most common themes:

- ***I will now be able to think about my retirement, helping my kids with college and assisting my elderly mom who lives with me. Thank you for your assistance.***
- ***To have this loan forgiven lifted a big financial burden off us.***
- ***I am still in disbelief that this actually happened!***
- ***With this student debt cleared, I feel motivated to pursue other educational and business advances.***
- ***My credit score should improve dramatically.***

AMP wellness campaign

A

Assess with
online health
assessments

M

Manage with weight
management
programs

P

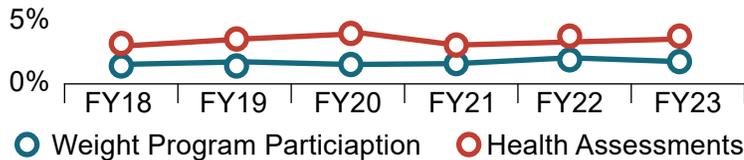
Prevent with
annual preventive
screenings

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.

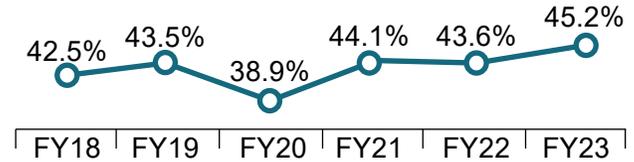
- Online health assessments
- Weight management programs
- Annual preventive screenings

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 ERS

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 GBP participants, employers, industry experts and health care professionals to ensure that state benefits continue to offer value and remain competitive at a reasonable cost to the state, and to 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 each year. In FY23 these meetings provided an opportunity to discuss a variety of topics, including possible changes to life insurance coverage, alternative methods for delivery of current benefits, potential modernization of certain HealthSelect obesity benefits and exclusions, coverage of weight loss medications and to proposed changes to bariatric surgery coverage, and ways to involve participants in health and wellness initiatives. The committee is supportive of possible changes to basic and optional life insurance coverage levels, life insurance portability, and modernization of the employee bariatric surgery benefit, consistent with statutory requirements. ERS staff will continue to review the feasibility and impact of these potential changes with additional stakeholders. The committee will also continue to monitor issues related to weight loss and diabetes management medications in its future meetings.

ERS holds 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
Nomi Health	Sept. 12, 2022	Offers services to directly connect participants to care, while eliminating operational waste
Virta Health	Sept. 19, 2022	Combines nutritional therapy with telehealth and remote monitoring services to help participants lower their A1C levels and reduce the need for diabetes medications

Cost Management and Fraud Prevention

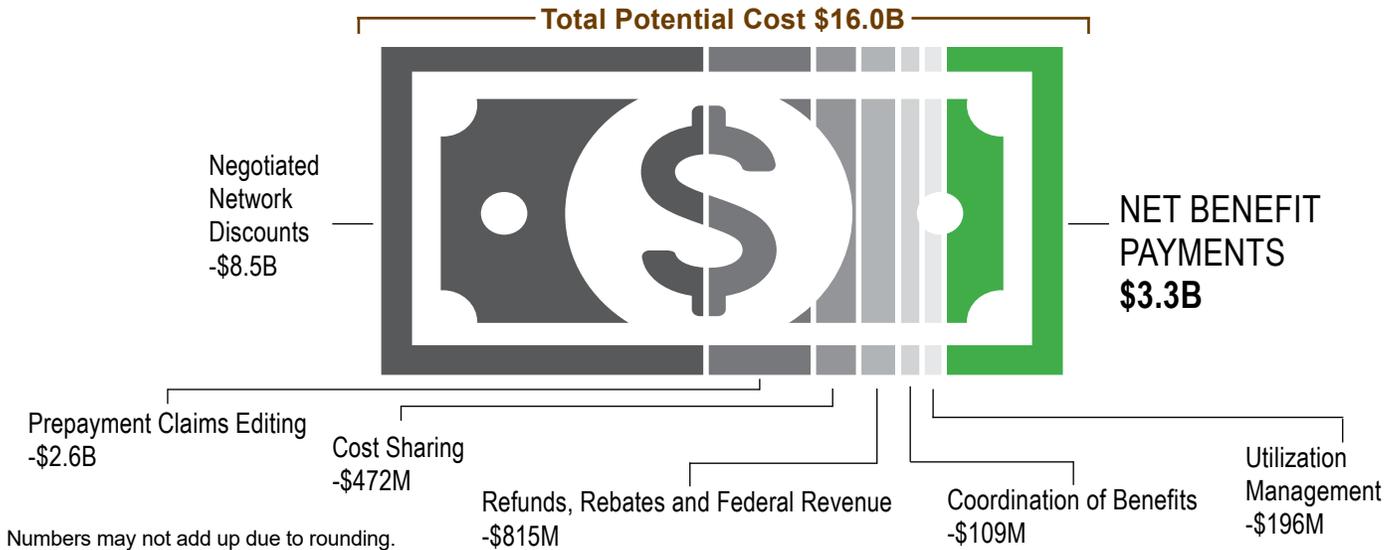


...about our strategies

HealthSelect reduced potential plan cost by \$12.7 billion in FY23

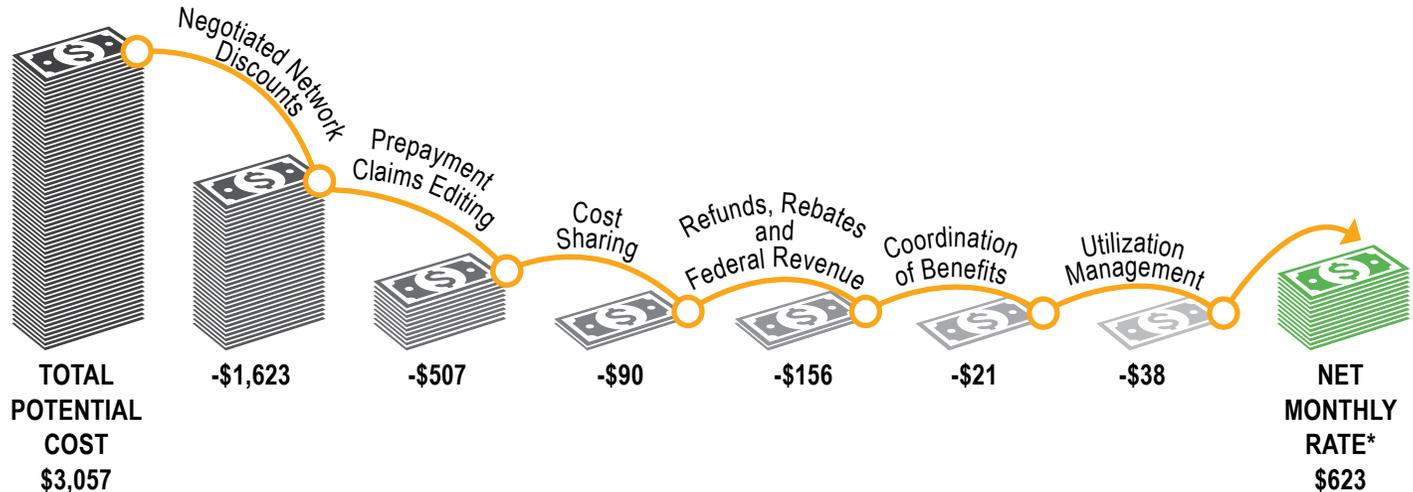
Employee health insurance provided through the self-funded HealthSelect plans cost the State of Texas and members \$3.3 billion in FY23 – so it's important to get the most out of every dollar.

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 FY23 the member-only coverage rate was roughly \$623 per month. Without cost management programs, the rate would have been \$3,057 per month.



*This amount does not include the cost for Basic Term Life Insurance coverage included with member health coverage. Numbers may not add up due to rounding.

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

1. Considered Charges Plus Estimated Cost Avoided		\$	15,975,766,560
2. Estimated Cost Avoided			(196,443,684)
3. Considered Charges			15,779,322,876
4. Less Ineligible Charges (Prepayment Claims Editing)			(2,647,655,711)
5. Eligible Charges			13,131,667,165
6. Less Reductions to Eligible Charges			
a. Prescription Drug Program (PDP) Charge Reductions	\$	1,911,773,557	
b. Provider Discounts and Reductions		6,570,635,237	
c. Medical Copayments and Deductibles		126,958,672	
d. Medical Coinsurance		201,155,699	
e. PDP Cost Sharing		143,600,233	
f. Coordination of Benefits - Medical - Regular		6,985,855	
g. Coordination of Benefits - Medical - Medicare		100,420,187	
h. Miscellaneous Medical Reductions		1,421,674	(9,062,951,114)
7. Gross Benefit Payments		\$	4,068,716,051

8. Less Refunds, Rebates and Federal Revenue

a. PDP Rebates	\$	684,490,320	
b. Federal Revenues - Medicare Part D		123,528,284	
c. Subrogation Recoveries		7,263,561	(815,282,165)
9. Net Benefit Payments			\$ 3,253,433,886

Data sources:

- (1) Annual Experience Accounting report prepared by BCBSTX
- (2) Annual Experience Accounting reports prepared by PBMs
- (3) HealthSelect Prescription Drug Program data
- (4) ERS FY23 Annual Comprehensive Financial Report (Federal Revenues)
- (5) ERS Legal (Subrogation Recoveries)

Utilization and care management, telemedicine, Virtual Visits and other programs avoided more than \$196 million in plan costs

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

1. Considered charges plus estimated cost avoided	\$15,975,766,560
2. Estimated cost avoided due to utilization and care management	(\$196,443,684)
3. Considered charges	\$15,779,322,876



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

Prepayment claims editing prevented nearly \$2.6 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	\$15,779,322,876
4. Less charges eliminated through prepayment claims editing	(\$2,647,655,711)
5. Eligible charges	\$13,131,667,165

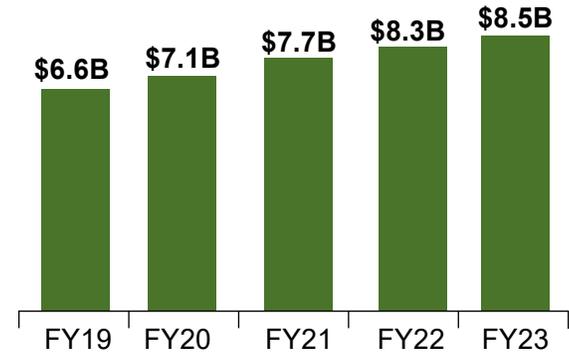
Negotiated network discounts lowered the plan's costs by \$8.5 billion

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	(\$1,911,773,557)
6b. Medical provider discounts and reductions	(\$6,570,635,237)
Subtotal	(\$8,482,408,794)

Negotiated network discounts lowered the state's cost by more than \$38 billion over five years



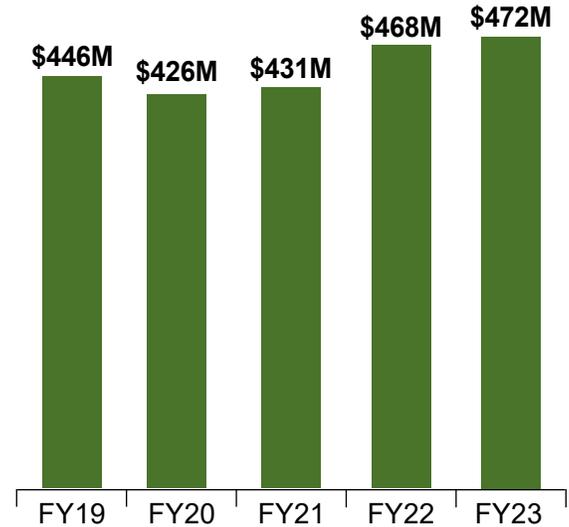
Participants paid \$472 million in deductibles, copays and coinsurance

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	(\$126,958,672)
6d. Medical coinsurance	(\$201,155,699)
6e. PDP cost sharing	(\$143,600,233)
Subtotal	(\$471,714,604)

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



The HealthSelect plans saved \$109 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	(\$6,985,855)
6g. Coordination of benefits - medical – Medicare	(\$100,420,187)
6h. Miscellaneous Medical Reductions	(\$1,421,674)
Subtotal	(\$108,827,716)

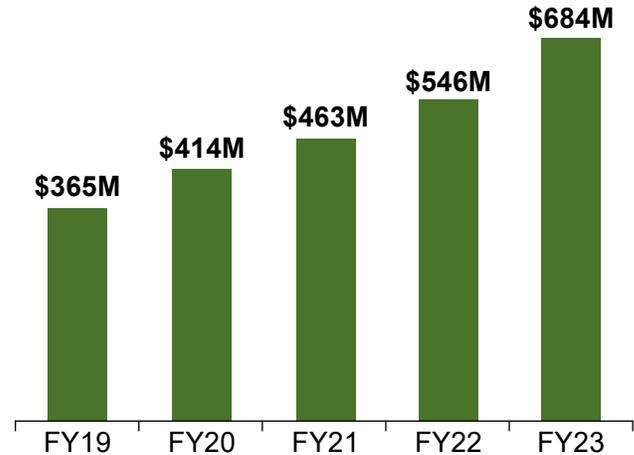
HealthSelect lowered cost by \$684 million through prescription drug rebates

Line 8a: Prescription drug program (PDP) rebates

- Prescription drug rebates continued to grow.
- Through arrangements with drug manufacturers, the HealthSelect pharmacy benefits 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	(\$684,490,320)
Subtotal	(\$684,490,320)

PDP rebate savings

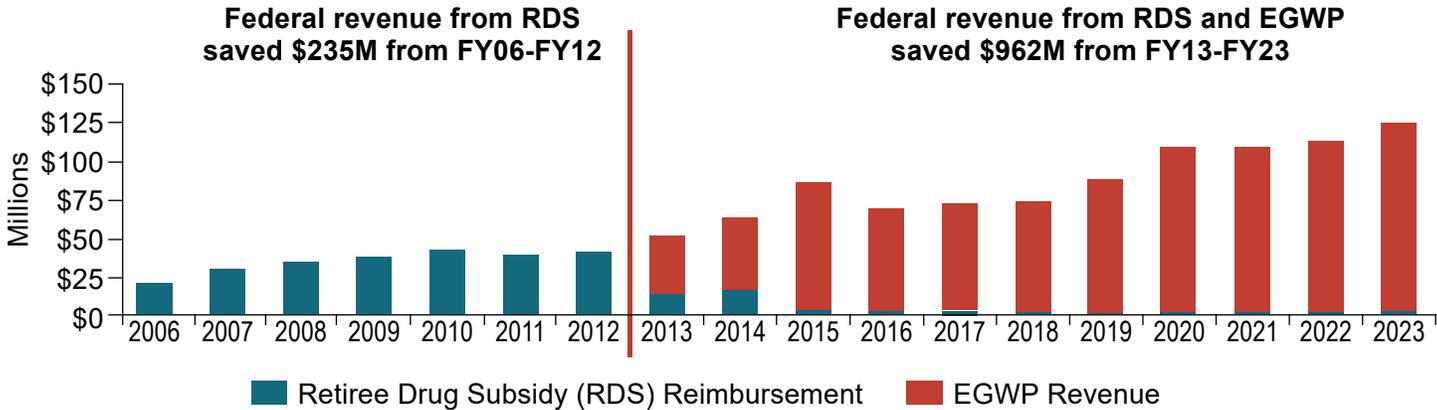


PDP rebates include payments of \$568M under the Medicare Part D Coverage Gap Discount Program from 2013-2023.

ERS quadrupled Medicare Part D revenue since implementing the EGWP + Wrap program

Line 8b: Federal revenue

Medicare Part D savings	
8b. Federal revenue – Medicare Part D	(\$123,528,284)
Subtotal	(\$123,528,284)



Under Medicare Part D, the HealthSelect plan collected \$1.2 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 when 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, waste and abuse 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 that identifies potential fraud, waste and abuse 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, prepayment review, 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 actively works with law enforcement for possible criminal prosecution. Analysts with BCBSTX are continuing developing and adapting programs and models to identify new medical fraud, waste and abuse schemes, which helps to control costs while supporting the health of participants.

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	FY23	87%
HealthSelect Prescription Drug Program (PDP)	Optum Rx	FY23	79%
State of Texas Dental Choice PPO	Delta Dental	FY23	94%
Dental HMO	DeltaCare® USA	FY23	94%
State of Texas Vision	Superior Vision	FY23	*
TexFlex	PayFlex	FY23	78%
Texas Income Protection Plan	ReedGroup	CY22	80%
HealthSelect MA PPO	UnitedHealthcare®	CY23	95%
HealthSelect Medicare Rx (EGWP)	UnitedHealthcare®	CY23	98%

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

*Information not available for FY23

Performance reporting, FY23

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, FY23

Overall, FY23 GBP vendor contract compliance remains relatively high.

For this reporting period:

- One vendor met all contractual performance requirements.
- Five vendors had only minor or moderate issues.
- One vendor had reported a critical issue.

CY22 GBP vendor contract compliance remains high. For this reporting period:

- Two vendors met all contractual performance requirements.
- One vendor had had only minor or moderate issues.

The next pages provide information about FY23 and CY22 GBP vendor performance results with PG assessments.

Performance reporting, FY23

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

Severity Level	PG Category	Performance Results	PG Assessments	PG Requirement	PG Actual
3	Moderate PGs	1 period of noncompliance (1 of 12 months)	Accurate claims processing 1 PG assessed	≥99.00% monthly	98.05% 07-2023
4	Minor PGs	2 periods of noncompliance (2 of 12 months)	Communication materials 2 PGs assessed	100% monthly	95.00% 09-2022 88.47% 02-2023

Performance reporting, FY23

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	1 period of noncompliance (1 of 4 months)	Annual enrollment attendance 1 PG waived	100% monthly	96.96% 06-2023
		1 period of noncompliance (FY2023)	Annual participant satisfaction survey 1 PG under review	≥ 95.00% annually	79.39% FY2023
		2 periods of noncompliance (2 of 12 months)	Reporting Requirements 2 PGs assessed	100% monthly	> 100% 07-2023 > 100% 08-2023

Performance reporting, FY23

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

Delta Dental met all of the State of Texas Dental Choice PPO Plan Fiscal Year 2023 contractual performance standards.

Performance reporting, FY23

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 (FY23)	Provider turnover rate 1 PG assessed	≤10.00% turnover rate, fiscal year	>10.00% FY2023

Performance reporting, FY23

Superior Vision administers the self-funded State of Texas VisionSM plan.

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% monthly	66.67% 11-2022

Performance reporting, FY23

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	6 periods of noncompliance (6 of 12 months)	Timely claims processing 6 PGs assessed	100% within 30 days	99.86% 12-2022
					99.85% 01-2023
					99.73% 02-2023
					99.81% 04-2023
					99.88% 06-2023
					99.75% 08-2023

Performance reporting, FY23

PayFlex administers the TexFlex flexible spending program.

Severity Level	PG Category	Performance Results	PG Assessments	PG Requirement	PG Actual
3	Moderate PGs	1 period of noncompliance (1 of 12 months)	Timely claims processing 1 PG waiver	100% within 30 days	68.46% 01-2023
4	Minor PGs	4 periods of noncompliance (4 of 12 months)	Debit card mail-out rate 4 PGs assessed	100%, < 7 business days, monthly	93.37% 10-2022 0.07% 11-2022 0.02% 12-2022 12.10% 01-2023
		1 period of noncompliance (1 of 12 months)	Communication materials 1 PG assessed	100% monthly	0.00% 11-2022

Performance reporting, CY22

UnitedHealthcare® administers the fully insured 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, CY22

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

All performance standards were met without any PG assessments.

Performance reporting, CY22

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

Severity Level	PG Category	Performance Results	PG Assessments	PG Requirement	PG Actual
3	Moderate PGs	2 period of noncompliance (2 of 4 quarters)	Evidence of Insurability determinations 2 PG assessed	100% within 10 days	99.87% 3Q 2022 99.47% 4Q 2022
4	Minor PGs	3 periods of noncompliance (3 of 12 months)	Reporting requirements 3 PGs assessed	100% monthly	80.00% 06-2022 78.00% 07-2022 78.00% 08-2022
		2 periods of noncompliance (2 of 4 quarters)	Interval service level (calls answered) 2 PGs assessed	85.00% within 30 seconds	80.40% 3Q 2022 82.40% 4Q 2022
		1 period of noncompliance (CY2022)	Annual participant satisfaction survey 1 PG assessed	≥85.00% annually	80.12% CY2022

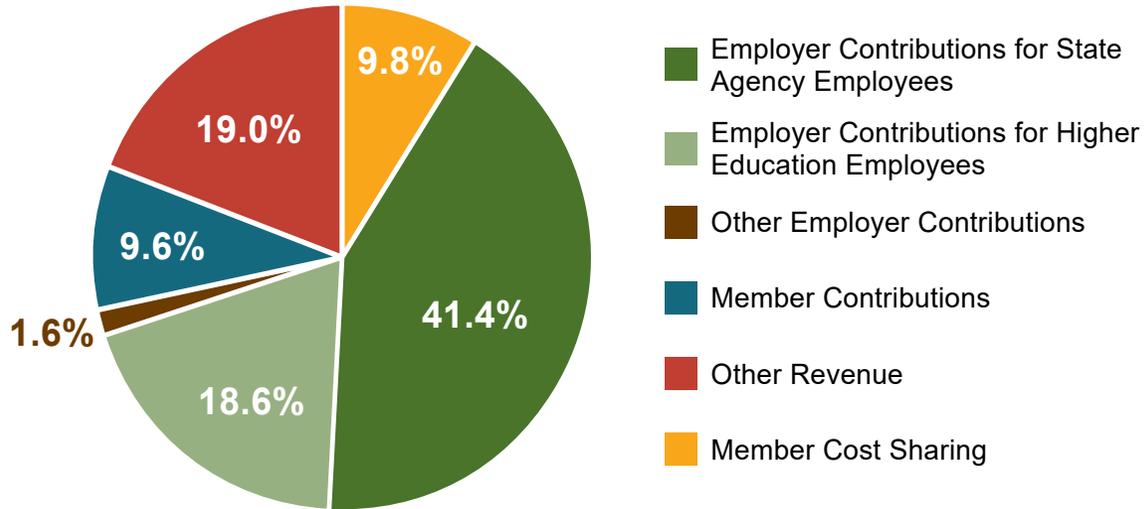
Appendix



Financial Tables Legislative Update Looking ahead to FY24

Who pays for GBP health care benefits?

Fiscal Year 2023



GBP FY23 costs by health plan

Costs shown below reflect FY23 incurred claims, net of rebates and subsidies. The Cost Containment section of this report includes amounts based on FY23 paid claims, some of which were incurred prior to FY23.

	Medical Cost	Pharmacy Cost	Administrative Cost	Total
HealthSelect self-funded plans*	\$ 2,407,021,458	\$ 609,548,203	\$ 55,575,119	\$ 3,072,144,780
Medicare Advantage PPO – UnitedHealthcare®	\$ 45,381,470	\$ 180,031,578	\$ 10,138,414	\$ 235,551,462
Total for all GBP Health Plans	\$ 2,452,402,928	\$ 789,579,781	\$ 65,713,533	\$ 3,307,696,242

*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 costs by program, FY23

Optional Program	FY23 Administrative Costs
TexFlex	\$901,583
State of Texas Dental Choice	\$4,237,898
DeltaCare® USA DHMO	\$1,417,808
State of Texas Vision	\$1,053,646
Life insurance plans (all)	\$2,503,471
Texas Income Protection Plan (disability insurance)	\$5,503,333

Projected annual average health care cost trend for FY24-26

Category	Increased Use of Service	Provider Price Increases	Maintenance of Member Share	Total
Hospital	2.3%	3.6%	0.6%	6.5%
Other Medical Services	1.0%	3.0%	0.2%	4.2%
Gross Pharmacy (without rebates)	3.0%	5.2%	2.2%	10.4%
Total	2.2%	4.1%	0.9%	7.2%

GBP health plans financial status

Summary of Actual and Projected Health Plans Experience (through December 2023)									
\$Millions									
	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29*
	Projected								
Revenue									
State Contributions	\$2,015.5	\$1,971.2	\$1,992.3	\$2,044.0	\$2,086.0	\$2,111.2	\$2,137.8	\$2,165.6	\$2,194.8
State Contributions - Higher Ed	\$892.6	\$887.2	\$898.0	\$921.4	\$940.3	\$951.7	\$963.6	\$976.2	\$989.3
State Contributions - Other	\$79.1	\$77.7	\$78.7	\$80.7	\$82.4	\$83.4	\$84.4	\$85.5	\$86.7
State Contributions - Total	\$2,987.2	\$2,936.1	\$2,969.0	\$3,046.1	\$3,108.7	\$3,146.3	\$3,185.8	\$3,227.3	\$3,270.8
Member Contributions	\$490.3	\$469.7	\$463.7	\$467.8	\$467.8	\$464.0	\$460.5	\$457.1	\$454.0
Other Revenue	\$655.2	\$534.6	\$917.9	\$1,141.7	\$1,245.4	\$1,344.7	\$1,447.2	\$1,557.7	\$1,681.9
Total Revenue	\$4,132.7	\$3,940.4	\$4,350.6	\$4,655.6	\$4,821.9	\$4,955.0	\$5,093.5	\$5,242.1	\$5,406.7
Health Care Expenditures	\$3,726.2	\$3,751.7	\$4,041.2	\$4,623.4	\$5,084.3	\$5,567.3	\$6,075.3	\$6,612.0	\$7,190.1
Net Gain (Loss)	\$406.5	\$188.7	\$309.4	\$32.2	(\$262.4)	(\$612.3)	(\$981.8)	(\$1,369.9)	(\$1,783.4)
Fund Balance	\$3,103.4	\$3,292.1	\$3,601.5	\$3,633.7	\$3,371.3	\$2,759.0	\$1,777.2	\$407.3	(\$1,376.1)
Other Expenses Incurred Outside of the GBP Fund									
Member Cost Sharing	\$448.1	\$468.2	\$471.7	\$480.2	\$490.1	\$496.1	\$502.4	\$509.0	\$515.9

*Under this scenario, the GBP's invested assets could be fully depleted prior to the end of FY29. At that time, the GBP would be unable to pay expenses and would cease to operate. Therefore, the ending Fund Balance for FY29 is shown for illustrative purposes only.

FY24 launch of Catapult Health VirtualCheckups® to increase annual preventive exams among HealthSelect participants

ERS expands access to annual preventive exams for the HealthSelect population

More than half of the HealthSelect population is overdue for their annual exam.

To make it easier for HealthSelect participants to get an annual exam, ERS is delivering innovative solutions with BCBSTX and Catapult Health.

Work-site preventive check-ups

Since FY21, ERS has partnered with employers to facilitate on-site preventive check-ups at no cost to employees.

In FY23, 3,791 employees across 120 work sites of six employers received a work-site preventive check-up through Catapult Health.

Catapult Health VirtualCheckup

Based on the success of an FY23 pilot program offering Catapult Health VirtualCheckups to Texas Tech System institutions and Texas Department of Criminal Justice employees, ERS is offering Catapult Health VirtualCheckups to all non-Medicare-primary HealthSelect participants in FY24.



ERS is offering
Catapult Health
VirtualCheckups
to all non-
Medicare-primary
HealthSelect
participants
in FY24.



Launching FY24 Catapult Health VirtualCheckups® (continued)

How do they work?

Catapult Health VirtualCheckup provides at-home testing and a face-to-face video consultation with a licensed nurse practitioner, in a location chosen the participant.



1. Catapult mails kits to participants upon request with everything they need for testing blood pressure, total cholesterol, HDL, LDL, triglycerides, hemoglobin A1c (blood sugar) and more.



2. A Catapult exam includes a review of a patient's results by a nurse practitioner, who also addresses any areas of concern, including mental health concerns, and refers participants to their PCP if follow-up is needed.



3. A participant receives a personal health report with easy-to-understand graphical information and a personal action plan with recommendations and links to other benefits offered through ERS.

.....!.....
ERS is offering
Catapult Health
Virtual Checkups
to all non-
Medicare-primary
HealthSelect
participants
in FY24.
.....!.....

Updates from the 88th legislative session

- **House Bill 1** – maintained funding levels for state employee, retiree and dependent health care coverage
 - 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.
- **Senate Bill 222** – provides that state agency employees are entitled to eight weeks of paid leave for birthing parents and four weeks of leave for paternal and adopting parents. Due to the Sept. 1, 2023 effective date, ERS made temporary changes to the short-term disability insurance benefit for FY24 and will further evaluate the need for a permanent change.

Unless otherwise noted, these mandated coverage changes to the HealthSelect of Texas plan will be effective for the plan year starting Sept. 1, 2024. However, in many cases the mandated coverage is already a covered benefit in the HealthSelect of Texas plan.

- **HB 916** – requires certain health plans including HealthSelect of Texas plan to cover a three-month supply of a covered prescription contraceptive drug the first time the drug is prescribed, and then a 12-month supply of the same drug each plan year.

Updates from the 88th legislative session (continued)

- **SB 989** – requires certain health plans, including HealthSelect of Texas plan, coverage of medically necessary biomarker testing for enrollees with cancer and other rare diseases.
- **HB 755** – prohibits certain health plans, including HealthSelect of Texas plan, from requiring prior authorization for drugs prescribed to treat an autoimmune disease, hemophilia, or Von Willebrand disease more than once annually.
- **HB 4990** - creates the Texas Pharmaceutical Initiative. The goal of the initiative is to evaluate the potential of creating a cost-effective statewide prescription drug program for the various state-supported pharmacy benefit plans. The legislation created the authority for an executive director and a governor-appointed board. ERS, along with other impacted agencies, will serve on an advisory council tasked with assisting the Board. The initial business plan is due to the Legislature by October 2024.

Endnote for page 51:

In previous years, certain claims files not did not correctly identify new specialty drugs coming onto market. Therefore, the amount paid for specialty drugs was understated. The methodology used in this year's report corrects that.