Texas Employees Group Benefits Program Annual Report FY21

Employees Retirement System of Texas

FEBRUARY 2022

ERS®
EMPLOYEES RETIREMENT SYSTEM OF TEXAS

Employees Retirement System of Texas

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Austin, Texas 78701
www.ers.texas.gov
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Reporting required by Texas Insurance Code, Section 1551.061

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FY21 highlights

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

That's one in 54 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.

Who is responsible for establishing health insurance program policy?

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

HealthSelect[SM] insurance premium contribution rates remained steady, in part due to prudent management and competitive contracts.

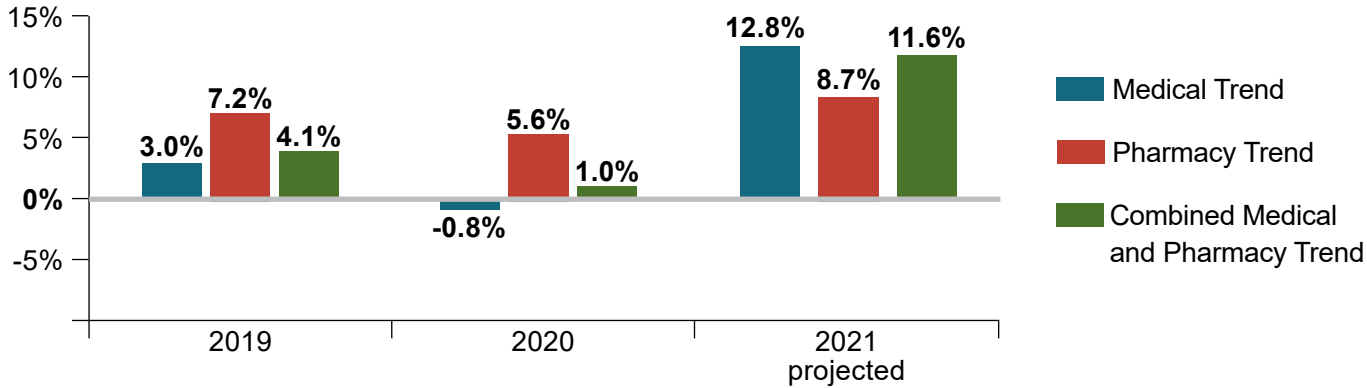
HealthSelect's negotiated rates with a broad network of medical providers and pharmacies deliver the largest savings to the health plan: $7.7B in FY21

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

HealthSelect's Pharmacy Benefit Manager (PBM) and third-party administrator (TPA) have negotiated discounted rates with more than 5,000 pharmacies and more than 110,000 health care providers and facilities across the state, including nearly 18,000 primary care physicians.

The self-funded HealthSelect plans experienced higher cost trends in FY21 compared to FY20

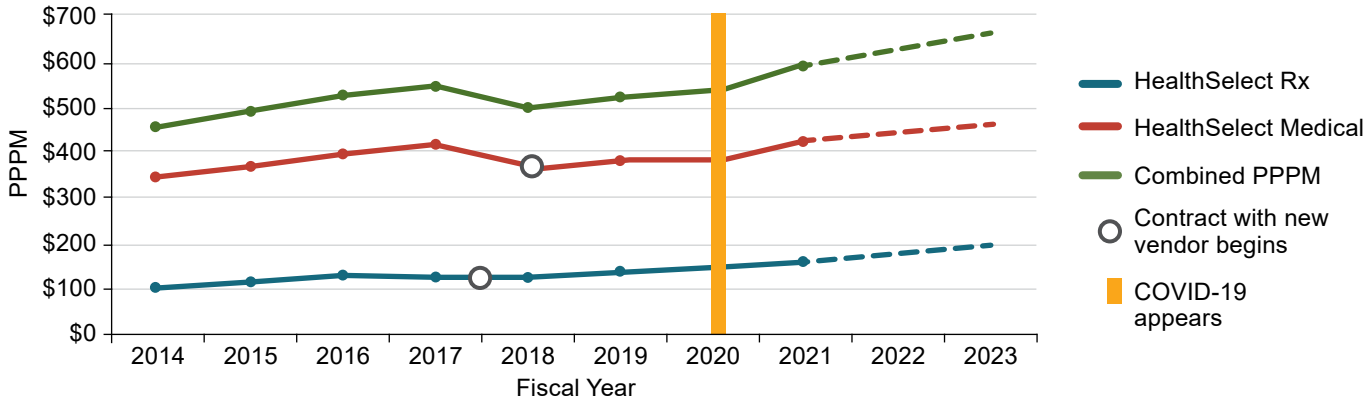
The higher FY21 trend is due to a combination of increased pandemic-related costs and utilization rates returning closer to pre-pandemic levels. The 8.7% pharmacy trend is close to historic norms, since participants continued normal prescription drug usage throughout the pandemic.



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 network primary care provider (PCP), who gets to know the participant, their medical history and their lifestyle

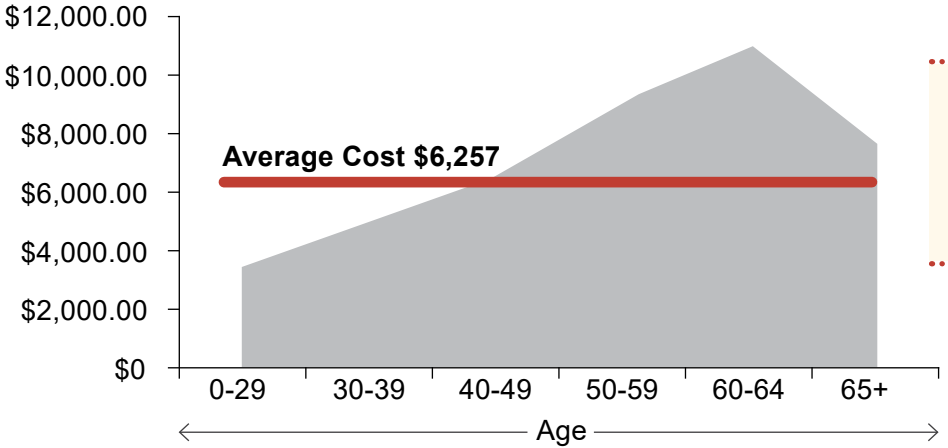
- For point-of-service plan participants, selection of a PCP is important to receive the highest level of benefits.
- A PCP coordinates a participant's care, including management of any referrals needed to see a specialist – required to receive in-network benefits in most cases.

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, FY21



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

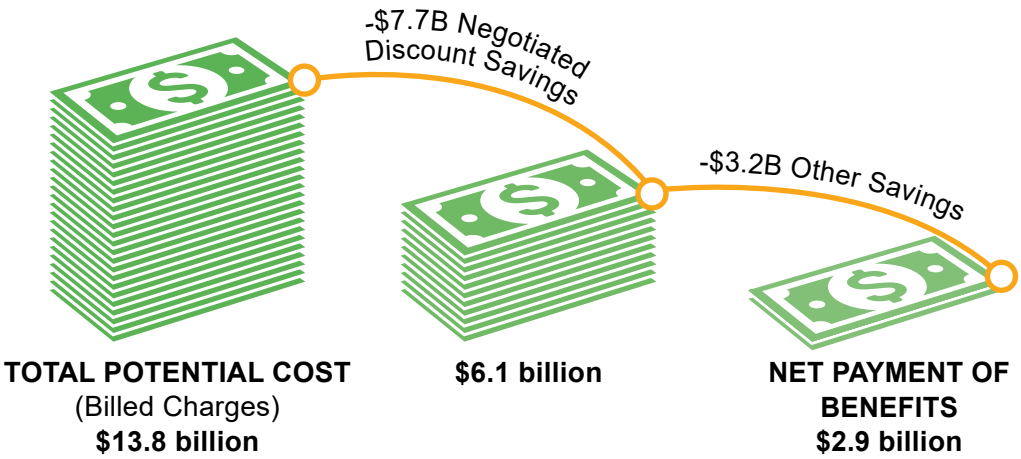
Annual Cost

Average

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

Effective management reduced HealthSelect costs by $10.9 billion in FY21

As a result of strategic and effective contracting, the plans paid $2.9 billion in health care costs, instead of the $13.8 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: **$6,257**

Annual savings due to removing ineligible dependents: **$1.5M**

Number of medical claims paid: **6.4M**

Potential cost of member-only monthly rate without cost-management savings: **$2,993**

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

HealthSelect at a Glance

Savings from HealthSelect cost management practices: **$10.9B**

Number of HealthSelect medical and mental health virtual visits*: **87,184** (13% increase due entirely to an increase in mental health visits)

Payments from all GBP health plans to doctors, hospitals, pharmacies and other care providers across Texas: **$3.2B**

Percentage of GBP participants who live in Texas

**Doctor on Demand and MDLive*

Benefits We Offer

...about our plans

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

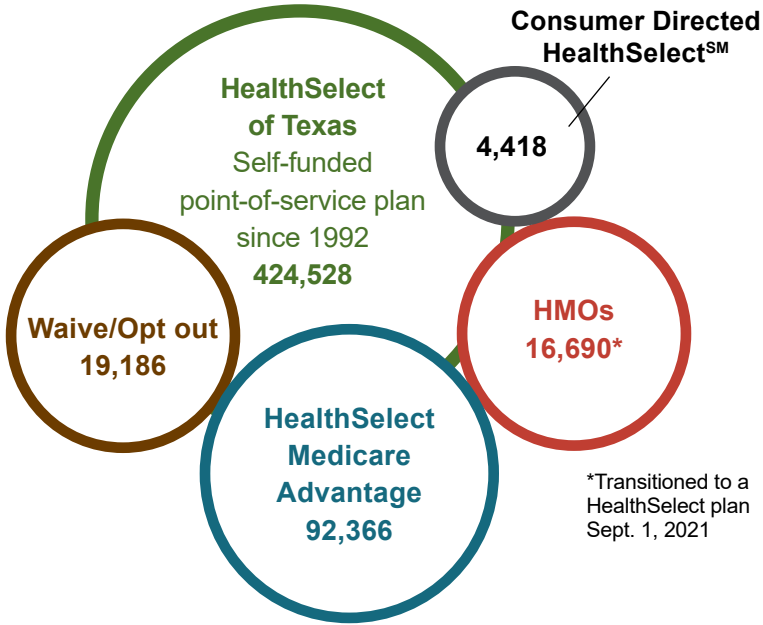
ERS has administered insurance benefits for state agency employees and retirees since 1976. Employees and retirees of Texas public community colleges and higher education institutions, other than the University of Texas and Texas A&M University systems, joined in 1992.

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

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

79% of all participants enroll in HealthSelect of Texas

August 31, 2021



GBP benefits available in FY21

Health Benefits

HealthSelect of Texas Plans

- HealthSelect of Texas
- Consumer Directed HealthSelect℠
- HealthSelect℠ Prescription Drug Program

Health Maintenance Organizations (HMOs)
Ended Aug. 31, 2021

- Community First Health Plans
- Scott and White Care Plans

+65 Medicare-eligible Retiree Health Benefits

Medicare-Eligible Retiree Plans

- HealthSelect℠ Medicare Advanatge Plan, a preferred provider organization (MA PPO)
- HealthSelect℠ Secondary
- HealthSelect℠ MedicareRx - Employer Group WaiverPlan (EGWP) + Wrap

Ended Dec. 31, 2020

- KelseyCare Advantage Medicare health maintenance organization (MA HMO)

HMOs
Ended Aug. 31, 2021

- Community First Health Plans
- Scott and White Care Plans

Optional Add-on Benefits

Dental Plans

- State of Texas Dental Choice Plan℠
- DeltaCare® USA DHMO

State of Texas Vision℠

Optional Life, AD&D Insurance

GBP benefits available in FY21 (continued)

State of Texas Employees Flexible Benefit Program	Short- and long term disability insurance
TexFlex℠ flexible spending accounts (FSA) § 125 reimbursment account • TexFlex health care FSA • TexFlex dependent care FSA • TexFlex limited purpose FSA	**Texas Income Protection Plan℠ (TIPP) Short-term disability coverage**
TexFlex Commuter Spending Account § 132(f) reimbursement account Ended Aug. 31, 2021	**TIPP Long-term disability coverage**

GBP health insurance choices – FY21 benefit highlights

	HealthSelect of Texas (point-of-service plan)	**Consumer Directed HealthSelect** (high-deductible health plan with health savings account)	**Regional HMOs***	**HealthSelect Medicare Advantage (MA) PPO**
Administrator/ Insurance Carrier	Blue Cross and Blue Shield of Texas (BCBSTX)		Community First; Scott and White Care Plans	UnitedHealthcare
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
Referrals Needed for Specialty Care?	Yes	No	Subject to HMO rules	No
Out-of-network benefits available?	Yes	Yes	No, except for emergency care	Yes

*Regional HMOs are unavailable in the GBP after August 31, 2021.

Consumer Directed HealthSelect

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

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

CONSUMER DIRECTED HealthSelect℠

2021 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, 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 CY21

	Individual Coverage	Family Coverage
Annual Maximum Contribution	$3,600	$7,200
Annual State Contribution	$540 ($45 monthly)	$1,080 ($90 monthly)
Annual Maximum Participant Contribution, Additional $1,000 "Catch-up" Contribution for Age 55 and Older	$3,060	$6,120

HSA Activity (January 1 – August 31, 2021)	
Number of Accounts Active	2,956
Average Account Balance	$1,426
Average Employee Monthly Contribution	$228

Retiree health insurance

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

- **HealthSelect℠ Medicare Advantage** (nationwide MA PPO plan) administered by UnitedHealthcare

The Medicare Advantage plan includes prescription drug coverage by **HealthSelect℠ Medicare Rx**, administered by UnitedHealthcare.

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

HealthSelect℠
Medicare Advantage Plan

HealthSelect of Texas
Medicare Rx

HealthSelect Medicare Advantage offers retirees added benefits and significant savings

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

78% of eligible retirees and spouses enrolled in the MA plan, while the rest chose HealthSelect of Texas or a non-MA HMO.

Regional HMO participants transition to HealthSelect

ERS is responsible for maintaining high-quality, cost-efficient health coverage for employees, retirees and their families. The General Appropriations Act does not allow state contributions for optional coverages (like HMOs) to be more than the actuarially-determined state contribution for basic coverage under HealthSelect of Texas. Because continuation of the regional HMO plans would have exceeded the HealthSelect of Texas actuarial cost, the regional HMO plans ended August 31, 2021.

Approximately 95% of providers in the regional HMOs were also in the HealthSelect of Texas network, which resulted in very little disruption for participants.

Plan benefits were also essentially the same or improved with participants gaining access to out-of-network benefits, as well as all programs and services offered to HealthSelect of Texas participants after this successful transition.

All GBP health plans include prescription drug coverage

HealthSelect℠ 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 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. The plan is administered by UnitedHealthcare Services, Inc.

HealthSelect of Texas Prescription Drug Program

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**	**FY21 TPA/Insurer**	**FY21 Enrollment**
Dental	PPO	Self-funded	Delta Dental	354,960
	HMO	Fully insured	DeltaCare USA	103,187
Vision	Vision insurance	Self-funded	Superior Vision Services	269,564
Optional Life	Group term insurance	Fully insured	Minnesota Life Insurance Co.	211,983
Dependent Life				99,814
Voluntary AD&D	Group term insurance	Fully insured	Minnesota Life Insurance Co.	122,364
Texas Income Protection Plan (Disability Insurance)	Short-term	Self-funded	ReedGroup	106,597
	Long-term	Self-funded		81,764
TexFlex	Flexible spending accounts	NA	WageWorks*	42,845

*Beginning September 1, 2021, PayFlex became the new administrator of TexFlex

Dental and vision

The GBP offers optional dental and vision insurance coverage.

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

- **State of Texas Dental Choice Plan**[SM], 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 Vision**[SM], administered by Superior Vision, covers a portion of the cost of a comprehensive eye exam, and contact lenses or eyeglasses each year as well as discounts for LASIK surgery

FY21 flexible spending accounts (FSAs)

ERS offers four tax-advantaged savings options

TEXFLEX℠

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 FY21	Maximum contribution: $2,750 per member per FY21	Maximum contribution: $5,000 per household per FY21	Qualified parking benefit: $270 monthly Qualified transit benefit: $270 monthly
Eligible expenses include: • 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: • Vision expenses • Dental expenses	Eligible expenses: • Day-care expenses for eligible dependent children or adults	Eligible expenses for commuting to and/or from work: • Parking • Transit: – 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: 40,300	Accounts: 140	Accounts: 2,336	Actively enrolled accounts: 69

*See “Spotlight: the Impact of COVID-19” section for temporary changes for FY21.
** Commuter Reimbursement ended August 31, 2021.

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 automatically receives $2,500 Basic Term Life Insurance at no cost to the retiree.

Optional Term Life Insurance

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

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

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

securian FINANCIAL™

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

Age-Based Reductions – Optional Term Life Coverage

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

Dependent Term Life Insurance with AD&D coverage

Employees may purchase $5,000 of Dependent Group Term Life Insurance and $5,000 of AD&D for each eligible dependent. Participating retirees may retain $2,500 of Dependent Group Term Life Insurance, as long as they were enrolled in coverage at retirement. The AD&D coverage is not available for dependents of retired employees.

Voluntary AD&D insurance

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

Disability insurance

The Texas Income Protection Plan℠ 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 is determined by a doctor to be disabled.

TIPP
Texas Income Protection Plan For State Employees ERS

Self-funded FY21 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	$1,339.90	$982.36	$357.54
You + Children	$1,103.58	$864.20	$239.38
You + Family	$1,818.66	$1,221.74	$596.92
Consumer Directed HealthSelect			
Member Only	$624.82	$624.82	$0.00
You + Spouse	$1,304.16	$982.36	$321.80
You + Children	$1,079.64	$864.20	$215.44
You + Family	$1,758.98	$1,221.74	$537.24

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

GBP Plan Changes, FY21

For temporary changes related to the COVID-19 pandemic, see section titled "Spotlight: The Impact of COVID-19 in FY21."

Fiscal Year 2021	HealthSelect of Texas Prescription Drug Program (PDP) Consumer Directed HealthSelect PDP	Added diabetic supplies (glucometer, test strips, lancets/lancing devices) to the PDP.
		Adopted Free Glucose Meter Program with no-cost test strips and related supplies. • Eligible participants can receive either a free OneTouch Verio or One Touch Verio Flex glucometer annually. • When purchased at an in-network pharmacy, HealthSelect of Texas participants pay $0 copay for test strips, lancets/ lancing devices used with the Verio meter. • After Consumer Directed HealthSelect participants meet their annual deductible, test strips and lancets/ lancing devices used with the Verio meter are covered at 100% when purchased at an in-network pharmacy and in accordance with IRS requirements for qualified high-deductible health plans.

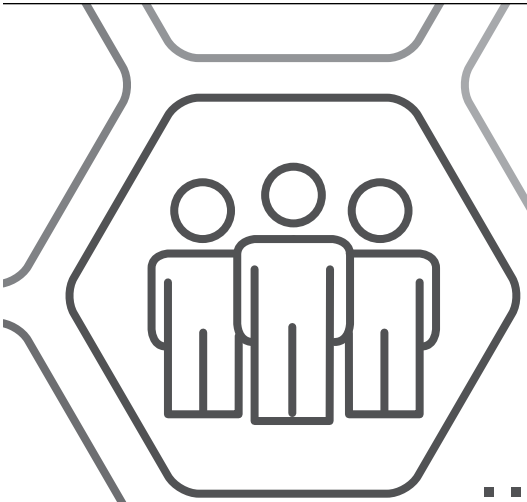
GBP Plan Changes, FY21 (continued)

Fiscal Year 2021	HealthSelect of Texas PDP	Certain diabetic supplies unrelated to the Free Glucose Meter Program are covered under OptumRx's formulary with either a tier 2 or tier 3 copay.
	HealthSelect of Texas, HealthSelect Out-of-State medical plans	Removed the $25 copay for in-network mental health virtual visits using Doctor on Demand and MDLive.
	HealthSelect of Texas, Consumer Directed HealthSelect, HealthSelect Out-of-State medical plans	Implemented HealthSelectShoppERS℠ program that rewards participants with contributions to a health care FSA or limited purpose FSA for shopping and receiving certain medical services and procedures from lower cost, high quality in-network providers.

GBP Plan Changes, FY21 (continued)

Fiscal Year 2021	HealthSelect of Texas, Consumer Directed HealthSelect medical plans	The mental health claims and benefits administrator transitioned from Magellan Healthcare® to BCBSTX. While the network size significantly grew, the benefit plan provisions did not change.

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.

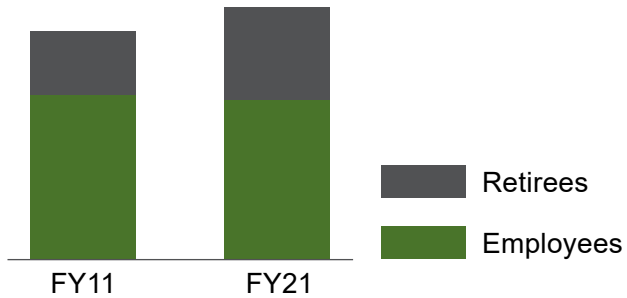
Of those enrolled in health insurance plans:

- The average age of a GBP member is 55.
- About one-third work or worked in higher education.
- The retiree population has grown 48.5% over 10 years.

GBP health insurance enrollment

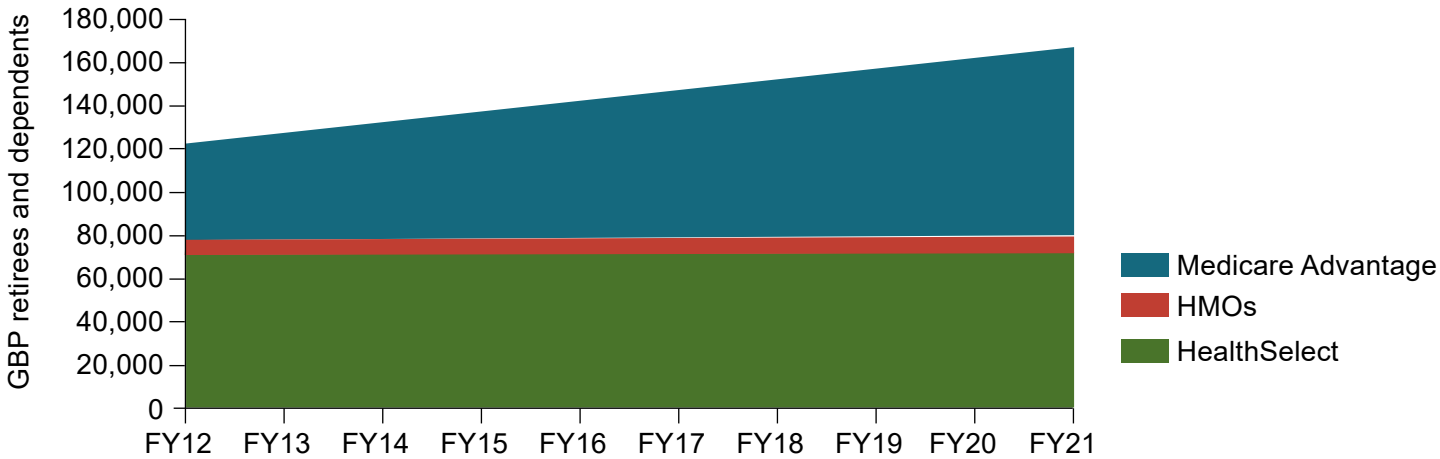
(not including dependents)

	FY11	FY21	% Change
Employees	214,200	206,828	-3.4%
Retirees	83,759	124,366	48.5%
Total	297,959	331,194	11.2%



The increasing retiree population drives health insurance enrollment growth.

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



Retirees choosing MA plans saved $80 million in FY21 dependent premiums.

GBP health plan member demographics (FY21)

	Active Employees	Pre-65 Retirees	65+ Retirees	All Members*
Total Number	206,828	34,328	90,038	331,194
Average Member Age	45 years	59 years	74 years	55 years
Average Dependent Age	22 years	38 years	68 years	29 years
% Who Enroll Dependents	38%	29%	24%	33%
Gender	58% female 42% male	54% female 46% male	55% female 45% male	57% female 43% male
Average Years of Service	9 years	25 years	22 years	15 years
Place of Employment	67% agency 33% higher ed	85% agency 15% higher ed	71% agency 29% higher ed	70% agency 30% higher ed

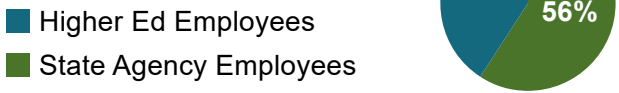
*Members include active employees and retirees only. The table above does not include dependents, survivors, COBRA or other miscellaneous groups.

Consumer Directed HealthSelect enrollee characteristics (FY21)

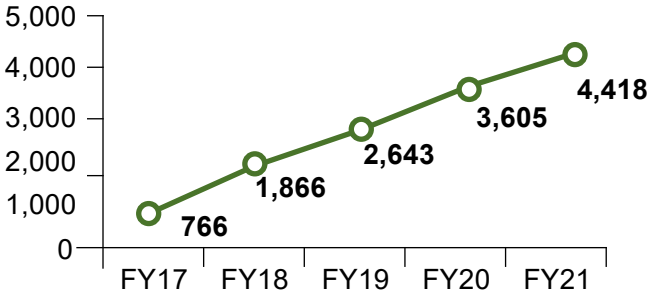
- 4,418 participants as of August 31, 2021
- Average enrollee age is 42 years, compared to 50 years in HealthSelect of Texas.

Higher education employees made up 34% of employees enrolled in HealthSelect of Texas, and 44% of employees enrolled in Consumer Directed HealthSelect.

Consumer Directed HealthSelect employee members



Enrollment is steadily increasing



Employees in Consumer Directed HealthSelect earned $13,626 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.

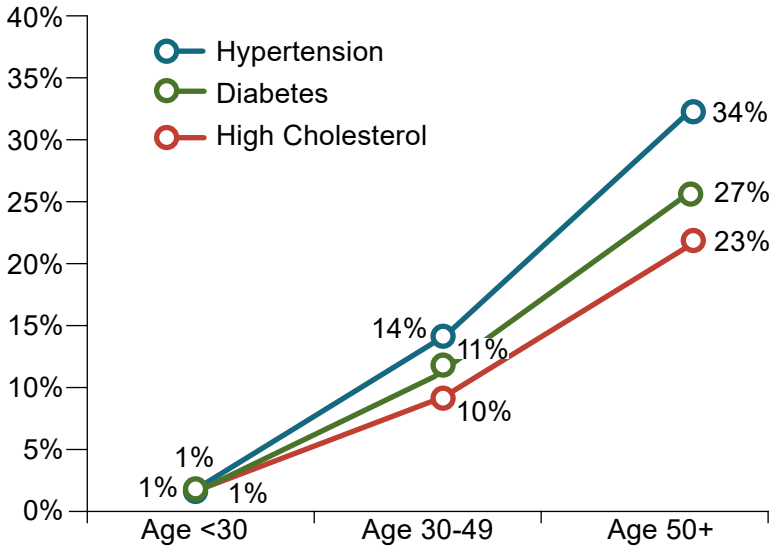
The average age of a GBP member (both employees and retirees) is 55.

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

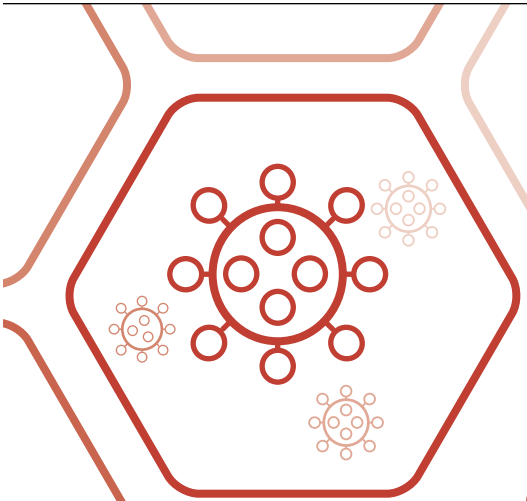
Source: BCBSTX Healthcare Economics Team

Percentage of FY21 HealthSelect population living with chronic conditions

(Medicare population not included)



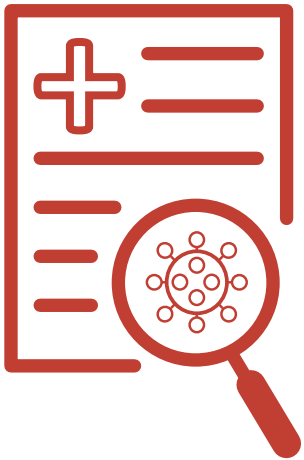
Spotlight:



…The Impact of COVID-19 in FY21

COVID-19 related coverage for GBP health plan participants

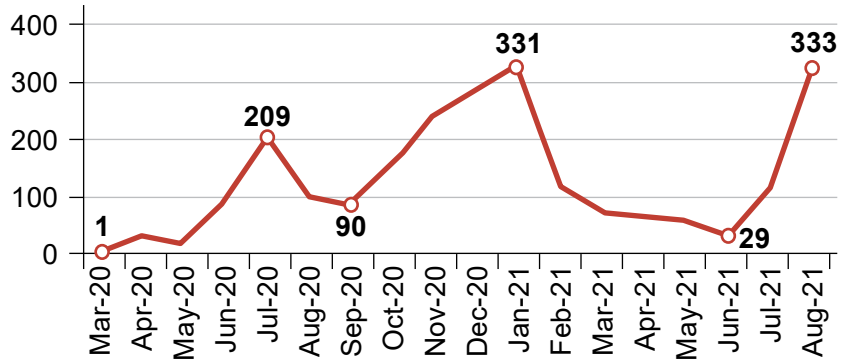
- GBP medical and prescription drug plans cover COVID-19 diagnostic testing and related treatment, vaccine administration and medications.
- Both the TexFlex flexible spending account program and health savings accounts (HSAs) cover personal protective equipment, such as masks, hand sanitizer and sanitizing wipes used for the primary purpose of preventing the spread of COVID-19, and at-home tests. These expenses are reimbursable under TexFlex or an HSA as long as these expenses are not covered or reimbursed by insurance or another program.



COVID-19 related hospital admissions were seasonal with the pandemic

Hospital admissions among plan participants diagnosed with COVID-19 reflect the pandemic's peaks in January and August 2021. The summer months show a quicker increase in admissions due to the delta variant's higher transmission rate.

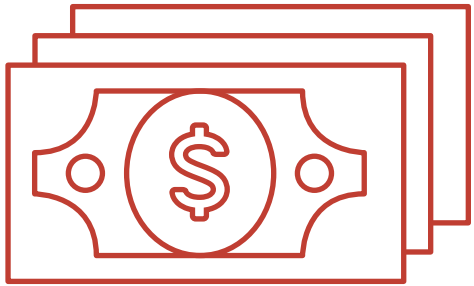
COVID-19 related hospital admissions by month, FY20 through FY21



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

- In FY21, about 42,000 HealthSelect participants filed a claim for a COVID-19 case, with a total plan cost of $126.9 million.
- The plan spent an additional estimated $31.7 million for diagnostic testing and $6.5 million for vaccine administration.
- Because participants used fewer medical services than expected due to the pandemic, the plan spent $57.8 million less than expected on services unrelated to COVID-19.
- The FY21 net cost impact* of the pandemic to the plan was an estimated $107.3 million.

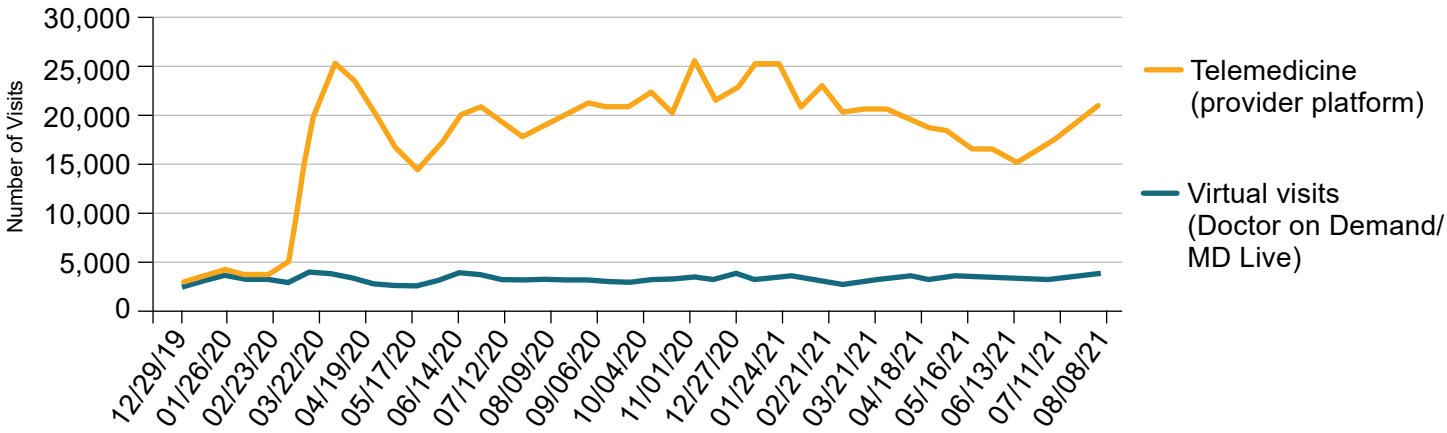
*Net cost impact: the cost of COVID-19 claims minus the reduction in the use of services unrelated to COVID-19



Use of telemedicine visits remains strong

While virtual visits (Doctor on Demand and MDLive) remained relatively steady since 2019, telemedicine visits (using the provider's platform) significantly increased in March 2020, remained high, and peaked again during and after the 2020 fall and winter months.

Virtual visits and telemedicine visits during the COVID-19 pandemic



Health plan temporary 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 member cost sharing or prior authorization.
- The Coronavirus Aid, Relief, and Economic Security (CARES) Act, signed into law March 27, 2020, expanded the diagnostic testing coverage mandate for COVID-19.

The health plan 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 the provider's network status. This coverage will continue throughout the Declaration of Public Health Emergency.

Health plan temporary 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, the HealthSelect plans implemented temporary benefit enhancements.

- Waived HealthSelect plans' cost sharing for non-COVID-19 in-network medical and mental health virtual visits (MDLive and Doctor on Demand)
- Waived cost sharing for in-network PCP and specialist provider-platform telemedicine visits (medical and mental health) with resumption of standard copays and cost sharing, effective July 1, 2021
- Waived prior authorization requirements for hospital inter-facility transfers to lower levels of care; expired February 28, 2021
- Temporarily activated a COVID-19 Member Portal and Nurse Practitioner Hotline; expired September 30, 2020
- Temporarily lifted early-fill restrictions on prescription medications; expired September 30, 2020
- Promoted free mental health crisis hotlines

COVID-19 relief options for TexFlex flexible savings accounts (FSAs)

COVID-19 relief options are temporary provisions that address challenges for participants who were unable to use their TexFlex benefits in the same manner as originally intended. ERS implemented temporary provisions to address these challenges and administered COVID-19 relief options for TexFlex participants as permitted under federal regulations and other IRS authority.

IRS Notice 2020-29 - Issued May 12, 2020

- **Extension of Period to Spend Unused Funds** - If employees had 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 could be used to pay or reimburse eligible medical care or dependent care (as applicable) through December 31, 2020. Claims must have been submitted for reimbursement no later than December 31, 2020.
- **Allow Mid-year Election Changes -** Allowed for prospective changes without a qualifying life event (QLE) during 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 could carryover all unused PY20 FSA funds (not limited to $500) for use in PY21. This temporary rule also allowed 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** - Allowed additional time for employees to spend unused FSA funds up to the amount contributed, without electing COBRA after leaving employment. This temporary rule was 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 14.
- **Mid-year Election Changes Continue** – IRS Notice 2020-29 allowed for prospective changes without a QLE during Calendar Year 2020. This was also extended through PY21.

Cost Trends

...about the marketplace

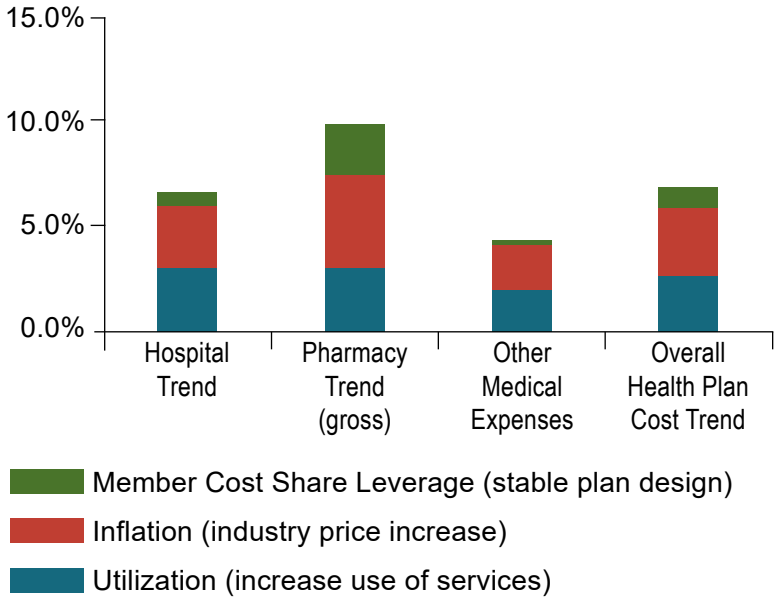
Projected average annual FY22-24 health plan cost trend is 6.8%

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

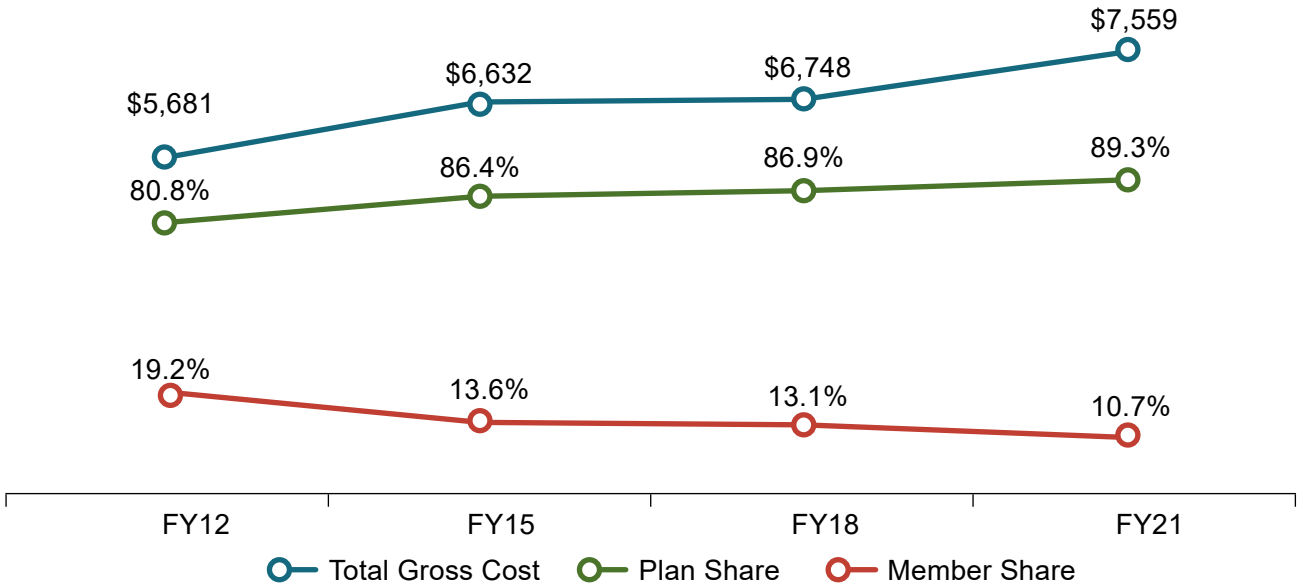
- utilization, driven by how often participants use services;
- inflation, driven by provider price increases and more complex care (also known as service intensity); and
- member cost-share leveraging, driven by the plans paying more while member copays stay the same.

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

Projected HealthSelect benefit cost trends, FY22-24



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

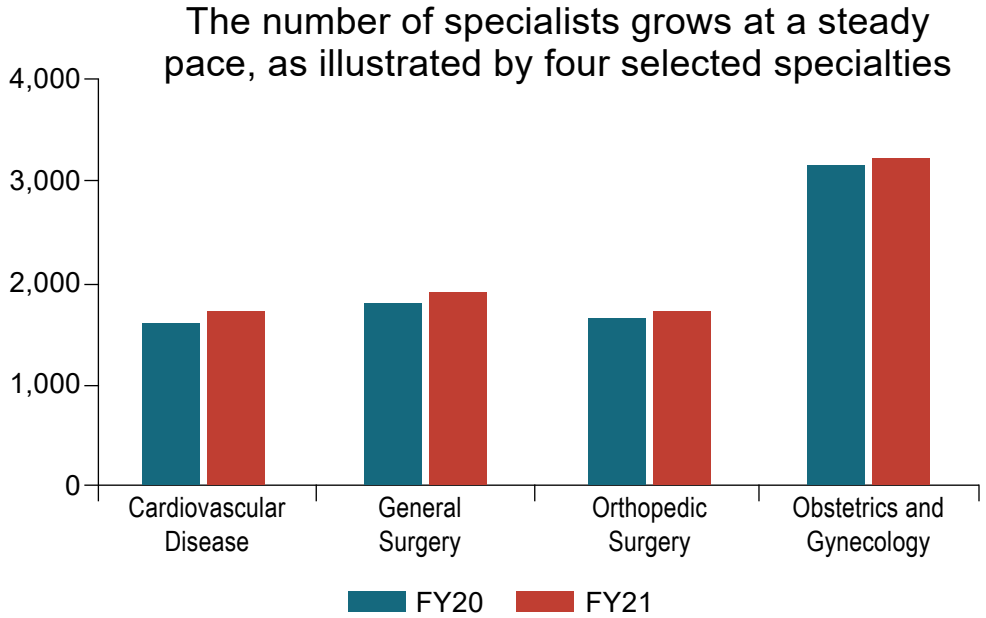


HealthSelect continues to provide access to a broad, high-quality network

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

The network now offers 17,895 primary care physicians, up from 16,592 in FY20.

In FY21, participant satisfaction with the network and the percentage of providers accepting new patients exceeded 90%.



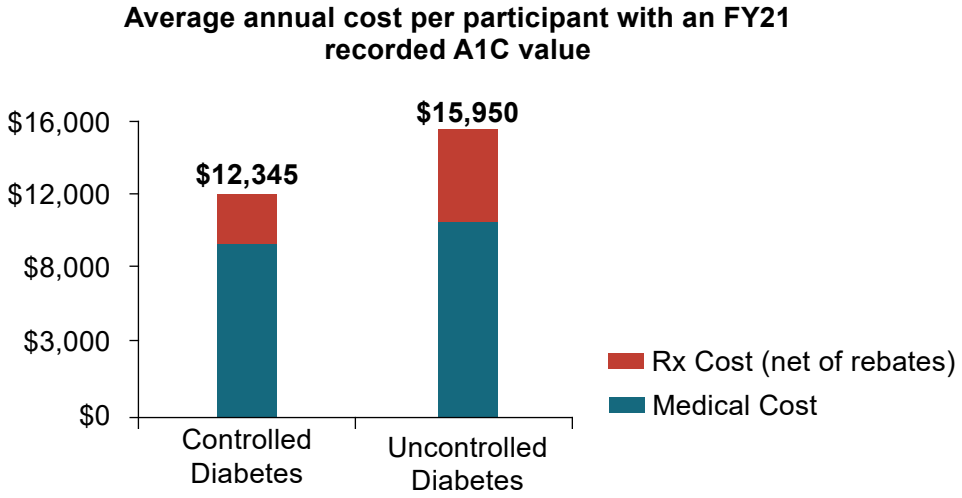
Controlling diabetes benefits both the participant and the plan

In FY21, participants with controlled diabetes had 29% fewer emergency room visits and 24% fewer inpatient admissions than those with uncontrolled diabetes.

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

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

A participant with controlled diabetes has average costs that are 23% less than a participant with uncontrolled diabetes.

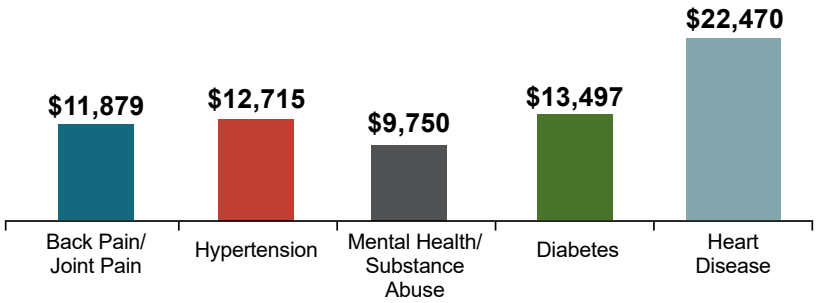


HealthSelect's FY21 costs for a participant living with a chronic condition were higher than the $6,257 average for all participants

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

- Back and Joint Pain: 19%
- Hypertension: 14%
- Mental Health and Substance Abuse: 17%
- Diabetes: 12%
- Heart Disease: 9%

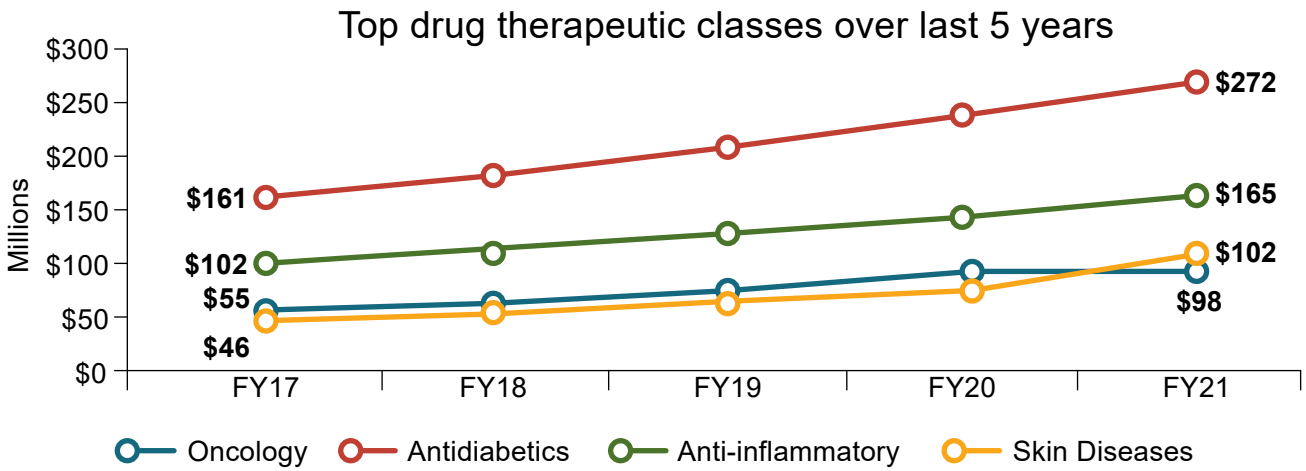
Average Annual Cost of a Participant with Chronic Conditions**
(includes medical and pharmacy)



*Participants are counted in each category for which they had a medical claim in FY21. Some participants may appear in more than one category. .
**Average annual cost is the total average annual medical and pharmacy plan spend (net of rebates) for participants with the given condition. Medicare-primary participants are excluded.

The top 4 highest-cost drug therapeutic classes account for 51% of total drug spend

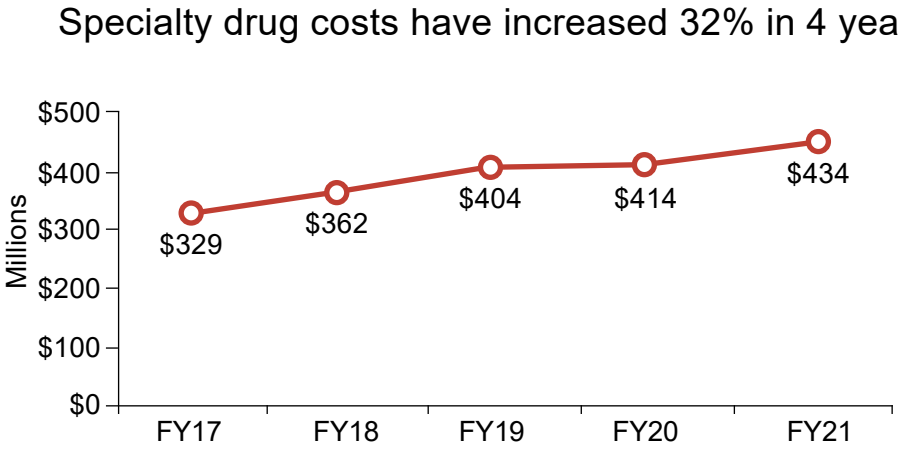
The diabetic therapeutic class is the largest cost driver within pharmacy spend and includes 5 of the top 10 highest-cost prescription drugs. Factors driving cost increases include drug prices and utilization.



Note: Amounts are gross, not net of rebates.

Specialty drugs represented just 1% of all prescriptions filled but 35% of total prescription drug costs in FY21

The HealthSelect self-funded plans paid $434 million for approximately 74,000 specialty claims, before applying rebates.



Top Three Specialty Conditions

- Inflammatory diseases
- Cancers
- Skin diseases

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

Best Practices

...successes and new programs in FY21

HealthSelectShoppERS℠ incents smart shopping for in-network medical services and procedures

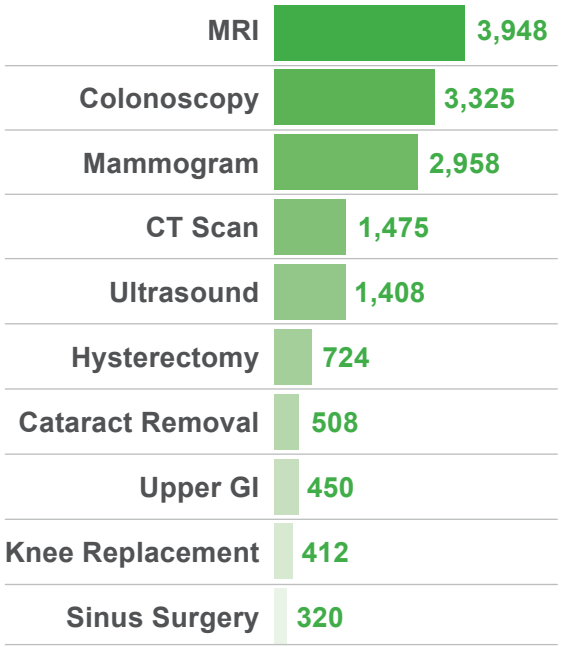
The 86th Legislature included budget rider language for FY20-21 indicating its intent that ERS implement a shared-savings program to encourage HealthSelect active employees and their non-Medicare dependents to shop for in-network, lower-cost, high-quality healthcare services by sharing the savings with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

This incentive program is 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 credited to a flexible spending account when participants compare prices on certain provider-recommended medical procedures, followed by selection of a rewards-eligible location for the procedure.

HealthSelectShoppERS exceeded expectations in first year, FY21

- **31%** of eligible households activated HealthSelectShoppERS (electronically or telephonically)
- **14%** of those activated shopped and received an incentive
- First-year gross plan savings: **$569,423**
- Incentives earned: **$106,800**

Top Shopping Procedures



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 on treating a patient when already sick (although that is still important), healthcare providers focus on preventing disease and detecting conditions in their earliest stages when they are easier and less expensive to treat. All HealthSelect plans focus on value-based care, which promotes the importance of a primary care physician relationship, ERS wellness initiatives, no-cost preventive strategies and broad access to a high-quality provider network.

HealthSelect's value-based contracting arrangements

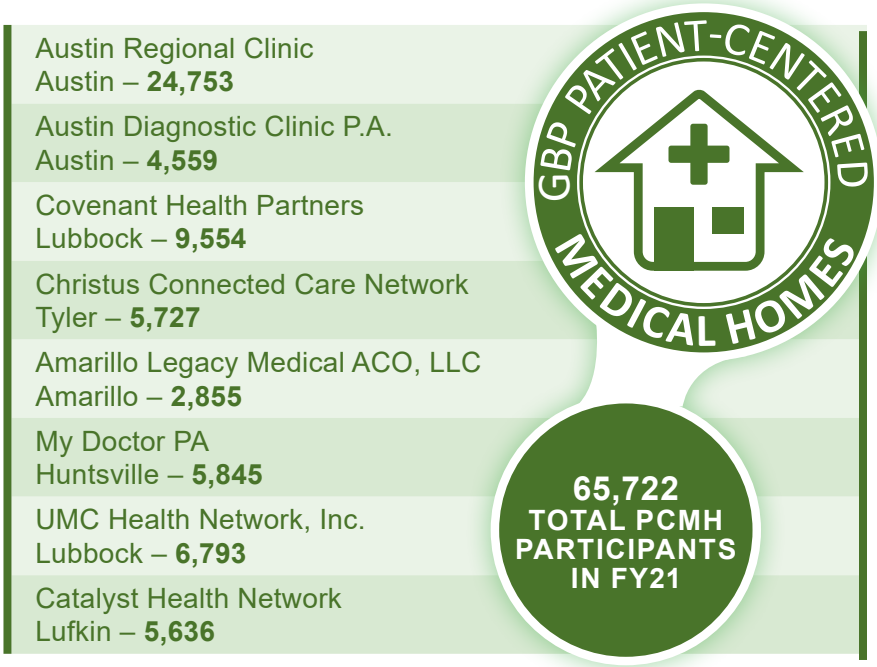
Another component of value-based care involves contracting arrangements with provider payment models that reward quality improvement over volume. In addition to the patient-centered medical homes (PCMHs), newer contracting arrangements are underway – all "in-network" to keep quality high and patient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

HealthSelect and value-based care (continued)

Patient-centered medical homes (PCMHs)

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

From FY11 to FY20, PCMH practices saved the plan $109.1 million and providers received $27.5 million in shared-savings payments, in addition to their contracted reimbursements for medical care. Savings for FY21 have not yet been finalized.



HealthSelect and value-based care (continued)

Episodes of Care

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 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 FY21, 29 participants sought knee replacement services and 32 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
- 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 12 participants with knee replacement services and 9 participants with hip replacement services in FY 21.

HealthSelect virtual visits grew 13% in FY21

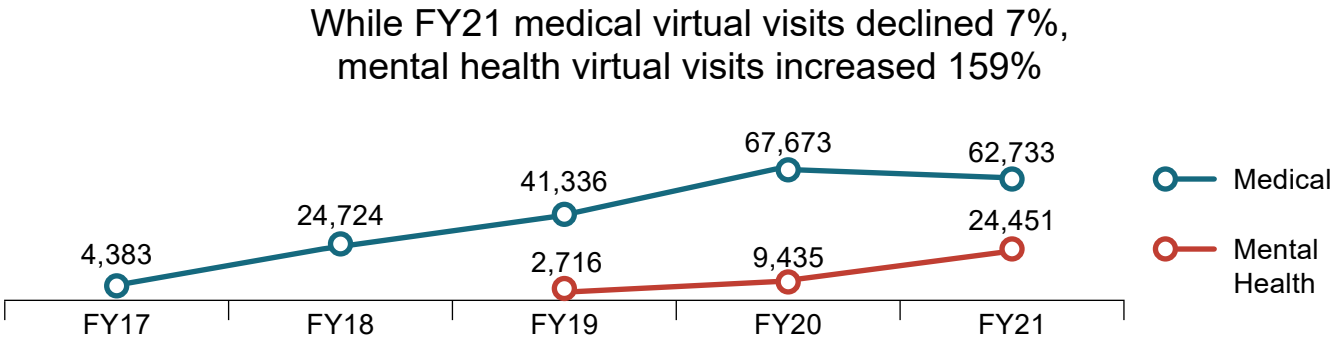
Virtual visits through Doctor on Demand and MDLive connect participants with a licensed provider directly through their mobile devices or computers. Virtual visits also contribute to lower plan costs.

HealthSelect of Texas participants do not pay a copay when using Doctor on Demand or MDLive.

Satisfaction ratings remain high:

- Doctor on Demand: 4.9 on a 5-point scale
- MD Live: 89% positive

The increase in mental health visits drove the FY21 increase in virtual visits.



Focus on mental health

Access to mental health services dramatically improved with the change to the broad Blue Cross and Blue Shield mental health network, and access to low- or no-cost virtual visits through Doctor on Demand and MD Live improved.

HealthSelect mental health provider network more than doubles

Blue Cross and Blue Shield of Texas (BCBSTX) began managing HealthSelect of Texas and Consumer Directed HealthSelect mental health benefits on September 1, 2020, replacing Magellan Healthcare®. With this change, participants have access to more mental health professionals.

- Participants gained access to more than 10,000 additional mental health providers not previously contracted with Magellan.
- For questions, claim information and to locate a network provider, participants can now contact one company by phone or website for both medical and mental health benefits.

Virtual visit mental health care became even more accessible with Doctor on Demand and MDLive

In FY19, ERS added scheduled mental health virtual visits at the same benefit level as an in-network mental health office visit ($25 copay for HealthSelect of Texas participants).

Beginning July 1, 2021, ERS waived mental health virtual visit copay and coinsurance.

Wellness: FY21 innovative communication initiatives

ERS launched the ERS Walk & Talk Podcast.

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

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

FY21 Engagement: The podcast reached listeners in 431 cities, across 24 countries and five continents. With an average of 303 downloads per episode for the first 10 episodes, the podcast played more than 3,500 times.

ERS shared wellness content with an expansive network of agency wellness coordinators.

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

Strategy: Monthly toolkits with wellness content – including newsletter articles, social media posts, and webinar schedule – for agency wellness coordinators to share with agency employees.

FY21 Engagement: ERS hosted 41 webinars to educate, inspire and connect more than 11,000 GBP participants with health and wellness resources, with an additional 3,000 viewings of the recorded versions.

AMP wellness campaign

A **Assess with online health assessments**

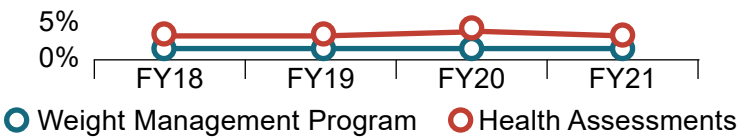
M **Manage with weight management programs**

P **Prevent with annual preventive screenings**

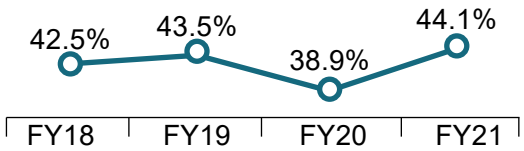
ERS launched the AMP wellness campaign in FY18 to decrease the prevalence of major chronic conditions, improve participants' general quality of life and reduce long-term health costs for the plan and state. ERS engages state employers – both leadership and wellness coordinators – to share insights on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

ERS tracks three metrics among health plan participants that are provided to state employer leadership. These metrics are participation with online health assessments, weight management programs and 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



AMP wellness campaign: success stories

AMP metrics measuring their workforce wellness engagement and a better understanding of health plan resources prompted employer leadership to effectively boost engagement in FY21.

- Texas Tech University and Texas Tech University Health Sciences Center launched an internal campaign to engage employees with HealthSelect weight management programs and enrollment increased 43% from 2020-2021.
- In August 2021, Texas Department of Criminal Justice launched an agency-wide campaign titled “Peak Performance” to improve employee health and morale, boosting TDCJ employee enrollment in a HealthSelect weight management program by 226%.

> “I originally took advantage of this program for the 8 [Wellness] Leave hours. However, in the 11 weeks that I participated, I have lost 20 lbs. I started following the program’s insight on eating habits along with walking an hour every day. I feel much better and my back does not hurt when I stand on my feet for a long period of time. Thank you for offering such a plan, not only do I lose pounds but I also gain 8 hours [of leave].”
>
> – Diana, TDCJ

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

The GBAC advises ERS staff and Board on the planning and development of employee and retiree GBP benefits. The Committee provides input from ERS participants, employers, industry experts and health care professionals to ensure that state benefits continue to 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 meets twice a year to discuss a variety of topics, including the impact of COVID-19 to GBP health plans and participants, recent legislation with impact to GBP operations and coverage, infertility benefits and coverage, and wellness offerings to support GBP participants.

The Committee was supportive of the infertility benefits and coverage currently available to GBP health plan participants and recommended against possible expansion of infertility benefits, citing that current benefits within the GBP are aligned with other public and private health plans. Committee members encouraged staff to explore other benefits with impact to more participants. In addition, the Committee offered suggestions to increase awareness of GBP wellness opportunities and to explore the possibility of hosting virtual sessions to provide healthy eating tips for health plan participants.

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
Quantify Health	September 15, 2020	Identifies overcharging within high-cost hospital claims and works with the TPA/carrier to reduce the claim amount on a prepayment basis
Bridge Purchasing Solutions	October 6, 2020	Directed spend management program that helps close gaps in care and drives compliance to improve patient outcomes
Rethink Benefits	November 30, 2020	Provides participants with behavior strategies that solve for the root cause of stress and anxiety for those who have a child with a developmental disability, learning delay or behavioral challenge
Hello Heart	May 3, 2021	Technology-based program that allows individuals to track, understand and improve their heart health
CEM	June 10, 2021	Provides pension administration and investment benchmarking services for public sector pension plans

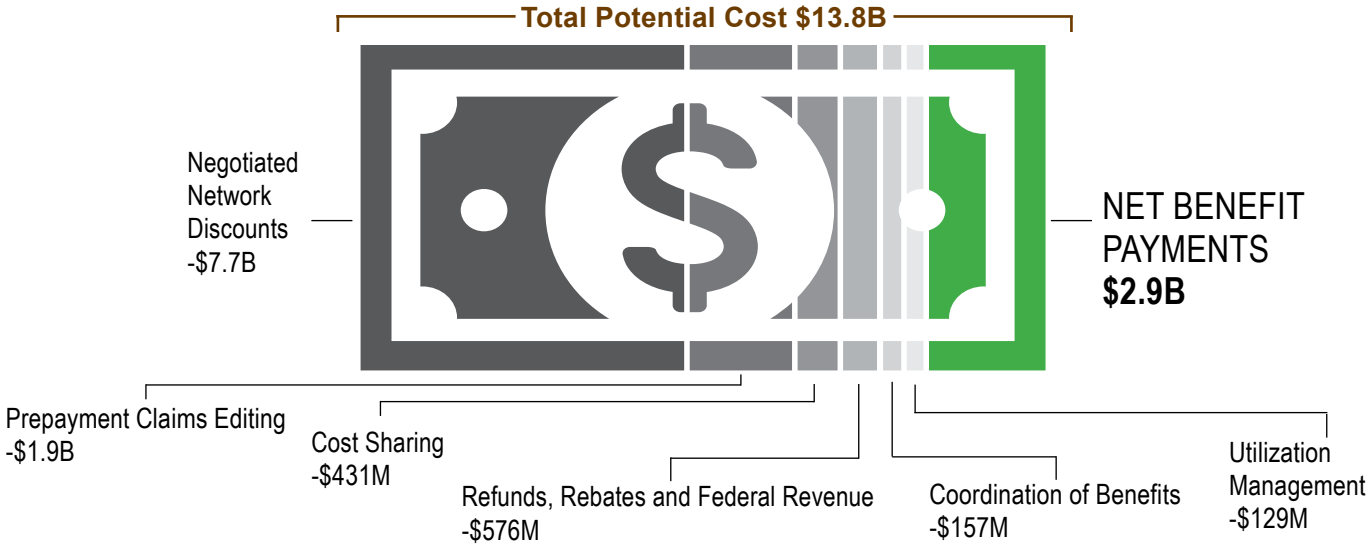
Cost Management and Fraud Prevention

...about our strategies

HealthSelect reduced plan cost by $10.9 billion in FY21

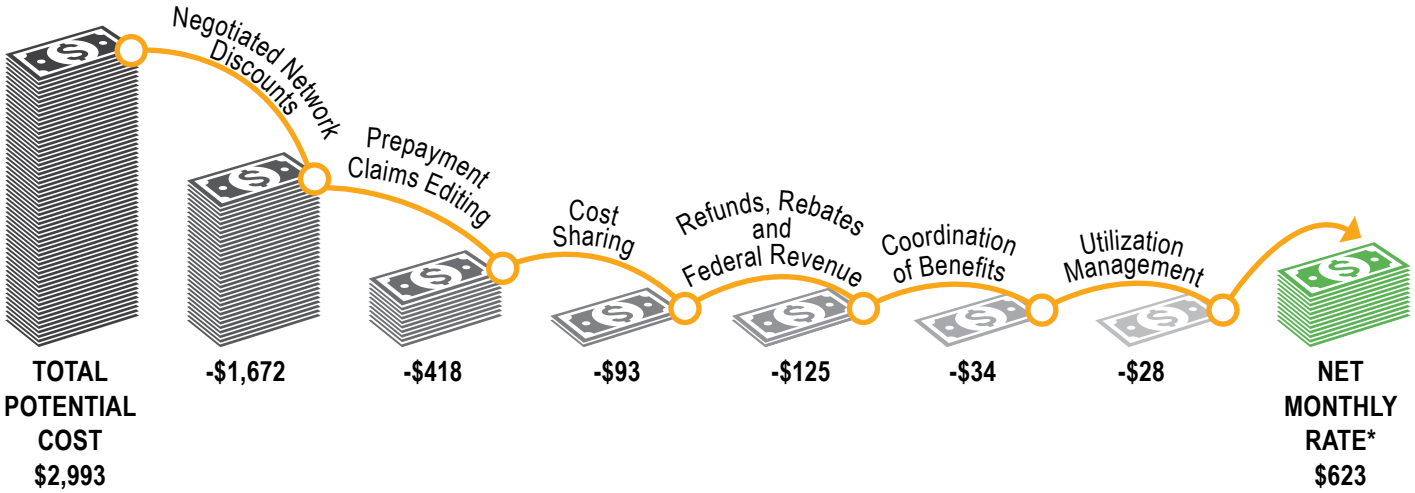
Employee health insurance provided through the self-funded HealthSelect plans costs the State of Texas and members $2.9 billion a year – so it's important to get the most out of every dollar.

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 FY21 the member-only coverage rate was $623 per month. Without cost management programs, the rate would have been $2,993 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		$	13,825,094,599
2. Estimated Cost Avoided			(128,869,732)
3. Considered Charges			13,696,224,867
4. Less Ineligible Charges (Prepayment Claims Editing)			(1,931,234,968)
5. Eligible Charges			11,764,989,899
6. Less Reductions to Eligible Charges			
a. Prescription drug program (PDP) Charge Reductions	$ 1,598,136,683		
b. Provider Discounts and Reductions	6,125,541,245		
c. Medical Copayments and Deductibles	103,587,371		
d. Medical Coinsurance	193,064,555		
e. PDP Cost Sharing	134,739,097		
f. Coordination of Benefits - Medical - Regular	7,849,770		
g. Coordination of Benefits - Medical - Medicare	148,000,236		
h. Miscellaneous Medical Reductions	1,648,991		(8,312,567,948)
7. Gross Benefit Payments		$	3,452,421,951

8. Less Refunds, Rebates and Federal Revenue			
a. PDP Rebates	$	462,915,398	
b. Federal Revenues - Medicare Part D		107,612,305	
c. Subrogation Recoveries		5,654,856	(576,182,559)
9. Net Benefit Payments			$ 2,876,239,392

*Data sources:

(1) Annual Experience Accounting report prepared by BCBSTX
(2) Annual Experience Accounting report prepared by PBM
(3) HealthSelect Prescription Drug Program data
(4) ERS FY21 Annual Comprehensive Financial Report (Federal Revenues)
(5) ERS GBD (BCBSTX Capitation Payments)
(6) ERS Legal (Subrogation Recoveries)

Utilization and care management, consumerism, virtual visits and other programs avoided more than $128 million in plan costs

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

1. Considered charges plus estimated cost avoided	**$13,825,094,599**
2. Estimated cost avoided due to utilization and care management	**($128,869,732)**
3. Considered charges	**$13,696,224,867**

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

3. Considered charges	**$13,696,224,867**
4. Less charges eliminated through prepayment claims editing	**($1,931,234,968)**
5. Eligible charges	**$11,764,989,899**

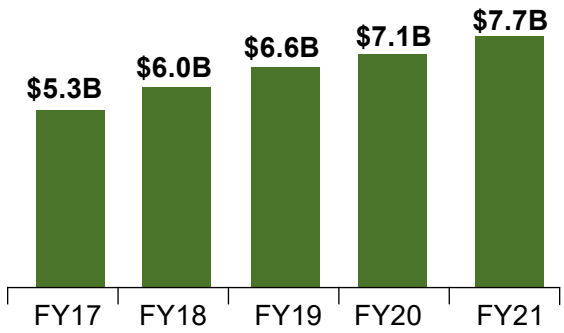
Negotiated network discounts lowered the plan's costs by $7.7 billion

Lines 6a and 6b: Negotiated network savings

ERS leverages its power in the marketplace 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	($1,598,136,683)
6b. Medical provider discounts and reductions	($6,125,541,245)
Subtotal	**($7,723,677,928)**

Negotiated network discounts lowered the state's cost by nearly $33 billion over five years



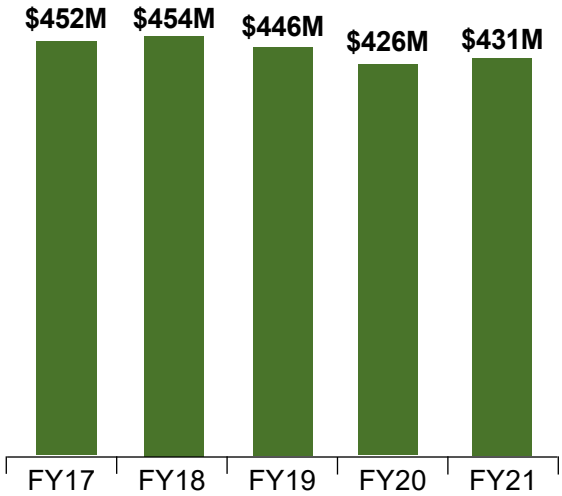
Participants paid $431 million in deductibles, copays and coinsurance

Lines 6c-6e: Participant cost sharing

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

Participant cost-sharing savings	
6c. Medical copayments and deductibles	($103,587,371)
6d. Medical coinsurance	($193,064,555)
6e. PDP cost-sharing	($134,739,097)
Subtotal	**($431,391,023)**

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



The HealthSelect plans saved $157 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	($7,849,770)
6g. Coordination of benefits - medical – Medicare	($148,000,236)
6h. Miscellaneous Medical Reductions	($1,648,991)
Subtotal	**($157,498,997)**

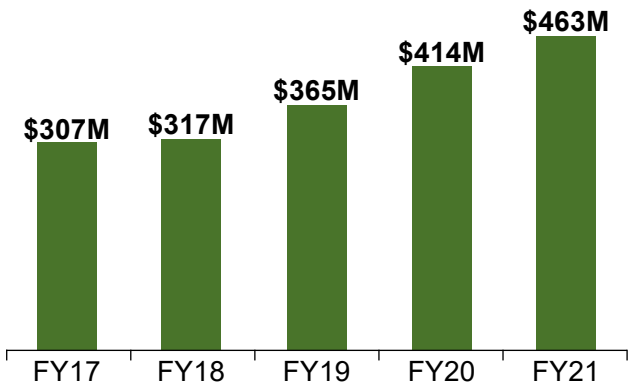
HealthSelect lowered cost by $463 million through drug rebates

Line 8a: Prescription drug program (PDP) rebates

- FY21 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	($462,915,398)
Subtotal	**($462,915,398)**

PDP rebate savings

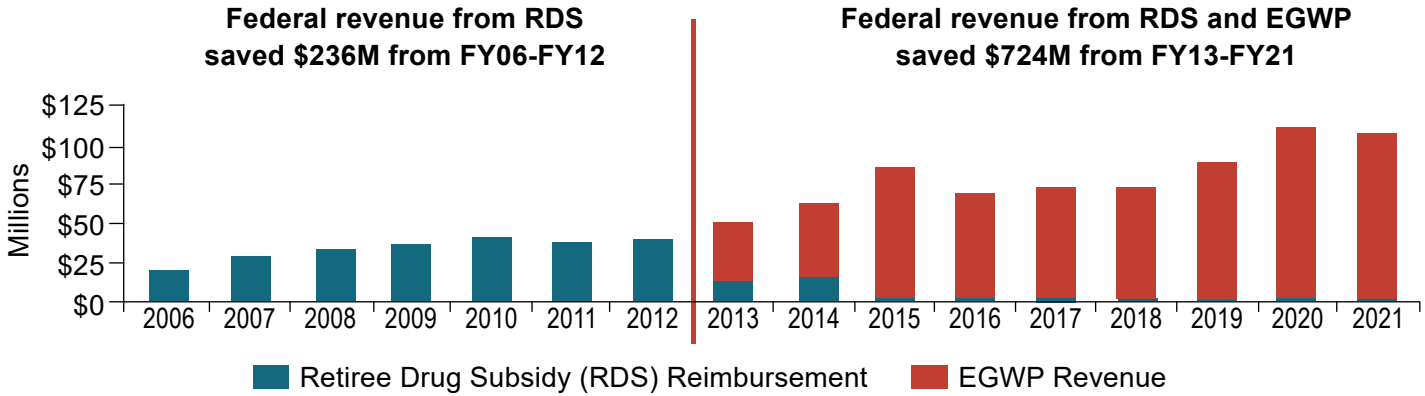


PDP rebates include payments of $382M under the Medicare Part D Coverage Gap Discount Program from 2013-2021.

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	($107,612,305)
Subtotal	**($107,612,305)**



Under Medicare Part D, the HealthSelect plan collected $960 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 detailed claims data to find outliers and anomalies that identify savings opportunities. If the team discovers an issue, they take action. For instance, in the past, ERS has modified the prescription drug formulary to address fraud concerns.

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

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

Possible actions resulting from investigations include provider education, removal from the network, and review and/or revision of medical and prescription drug policy edits to the claims processing system and overpayment recovery. SID also refers to law enforcement for possible criminal prosecution. The plans work diligently to identify new schemes for fraud, waste and abuse.

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

The **OptumRx 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 OptumRx 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	Plan Year	Satisfaction Rating
HealthSelect of Texas medical plans	BCBSTX	2021	90.2%
HealthSelect MA PPO	Humana Insurance	2020	96.99%
HealthSelect Prescription Drug Program (PDP)	UnitedHealthcare / OptumRx	2021	95.0%
HealthSelect Medicare Rx (EGWP)	UnitedHealthcare	2020	97.0%
State of Texas Dental Choice PPO	Delta Dental	2021	93%
Dental HMO	DeltaCare USA	2021	91%
State of Texas Vision	Superior Vision	2021	92.0%
TexFlex	WageWorks	2020	82.39%
Texas Income Protection Plan	ReedGroup	2020	87.1%

Performance reporting, FY21

About GBP contractual performance guarantees

- A performance guarantee (PG) connects to a business-critical service function(s) required of a vendor throughout the contract period.
- Failure to meet certain contractual conditions triggers a performance guarantee (PG) assessment and/or other remedy.
- Regulatory standards and industry best practices help in formulating the PG metric. Each PG is then risk-rated using risk assessment modeling and given a PG severity level.
- The assessment amount varies by contract based on the contract's annualized administrative fees or average monthly premium paid.
- The severity levels listed below identify the basis for the assessment amount in the event of a missed PG.

  Severity 1: Emergency

  Severity 2: Critical

  Severity 3: Moderate

  Severity 4: Minor
- A missed performance metric requires additional information which may include supplemental corrective action information or a formal corrective action plan for ERS' review and approval, depending on the missed metric's severity and scope.

Performance reporting, FY21

FY21 GBP vendor contract compliance is high with most performance guarantees met.

Two vendors achieved all performance standards without any assessments:

- State of Texas Vision Plan, administered by Superior Vision Services, Inc.
- Life Insurance Plans, AD&D Coverages administered by Securian (Minnesota Life)

The next pages provide information about FY21 GBP vendor performance results with PG assessments.

Performance reporting, FY21

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

Severity Level	PG Category	Vendor Performance Results	PG Assessments	PG Requirement	PG Actual
3	Moderate PGs	1 Moderate PG assessment	**Claims Financial Accuracy Rate** 1 PG assessed (1 of 12 months)	99.00% per month	98.94%

Performance reporting, FY21

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

Severity Level	PG Category	Vendor Performance Results	PG Assessments	PG Requirement	PG Actual
1	Emergency PGs	1 Emergency PG assessment	**Maintenance Eligibility File Processing** 1 PG assessment (1 of 12 months)	100% per occurrence	85.00%
4	Minor PGs	1 Minor PG pending	**Interval Service Level (Speed of Calls Answered)** 1 PG pending (1 of 4 quarters)	80.00% per quarter	78.03%

Performance reporting, FY21

Community First Health Plans (San Antonio region)

- Plan ended August 31, 2021, with participants successfully transitioned to a HealthSelect plan

Severity Level	PG Category	Vendor Performance Results	PG Assessments	PG Requirement	PG Actual
1	Emergency PGs	2 Emergency PGs waived	**Maintenance Eligibility File Processing** 1 PG waived (1 of 12 months)	100% per month	80.00%
			System Availability Rate 1 PG waived (1 of 12 months)	99.50% per quarter	96.50%

Performance reporting, FY21

Scott and White Care Plans (Central Texas region)

- Plan ended August 31, 2021, with participants successfully transitioned to a HealthSelect plan

Severity Level	PG Category	Vendor Performance Results	PG Assessments	PG Requirement	PG Actual
4	Minor PGs	1 Minor PG assessment	**Interval Service Level (Speed of Calls Answered)** 1 PG assessed (1 of 4 quarters)	80.00% per month	76.66%

Performance reporting, CY20

Humana Insurance Company administered HealthSelect Medicare Advantage Plan (MA-PPO) through December 31, 2020

- Following procurement, MA-PPO plan transitioned to United Healthcare effective January 1, 2021

Severity Level	PG Category	Vendor Performance Results	PG Assessments	PG Requirement	PG Actual
3	Moderate PGs	1 Moderate PG assessment	**Claims Financial Accuracy Rate** 1 PG assessed (1 of 12 months)	99.00% per month	97.39%
4	Minor PGs	1 Minor PG assessment	**Interval Service Level (Speed of Calls Answered)** 1 PG assessed (1 of 4 quarters)	80.00% per month	64.62%

Performance reporting, CY20

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

Severity Level	PG Category	Performance Results	PG Assessments	PG Requirement	PG Actual
4	Minor PGs	1 Minor PG assessment	**Communication Materials** 1 PG assessed	100% of communication materials approved in advance	99.33%

Performance reporting, CY20

KelseyCare Advantage (MA-HMO) (Houston area only)

- Plan ended December 30, 2020, with participants successfully transitioned to MA-PPO effective January 1, 2021

Severity Level	PG Category	Performance Results	PG Assessments	PG Requirement	PG Actual
4	Minor PGs	3 Minor PG assessments	**Reporting Requirements** 2 PGs assessed (2 occurrences in 1 of 12 months)	100% per reporting period	No report
			Participant Satisfaction Rate 1 PG assessed	85.00% per year	No report

Performance reporting, FY21

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

Severity Level	PG Category	Performance Results	PG Assessments	PG Requirement	PG Actual
3	Moderate PGs	4 Moderate PG assessments	**Grievance and Appeals (Pre-Service)** 1 PG assessed (1 of 12 months)	95% per month	0%
			Grievance and Appeals (Post-Service) 2 PGs assessed (2 of 12 months)	95% per month	75% and 89%
			Written Correspondence Rate 1 PG assessed (1 of 4 quarters)	100% per quarter	78%
4	Minor PGs	1 Minor PG assessed	**Reporting Requirements** 1 PG assessed (1 of 12 months)	100% per reporting period	80%

Performance reporting, FY21

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

Severity Level	PG Category	Performance Results	PG Assessments	PG Requirement	PG Actual
4	Minor PGs	1 Minor PGs assessment	**Reporting Requirements** 1 PG assessed (1 of 12 months)	100% per reporting period	80%

Performance reporting, FY21

WageWorks, Inc. administered the TexFlex flexible spending program through August 31, 2021

- Following procurement, TexFlex administration transitioned to PayFlex effective September 1, 2021

Severity Level	PG Category	Performance Results	PG Assessments	PG Requirement	PG Actual
3	Moderate PGs	4 Moderate PG assessments	**Resolution of Transaction Errors**	100% per month	83.33%
			Notification of File and/or Transfer Errors (1st, 2nd and 3rd occurrence)	100% per month	66.67%, 66.67% and 88.89%
4	Minor PGs	3 Minor PG assessments	**Communication Materials**	100% per month	99.89% and 68.71%
			Participant Survey	85% per year	82.39%

Performance reporting, CY20

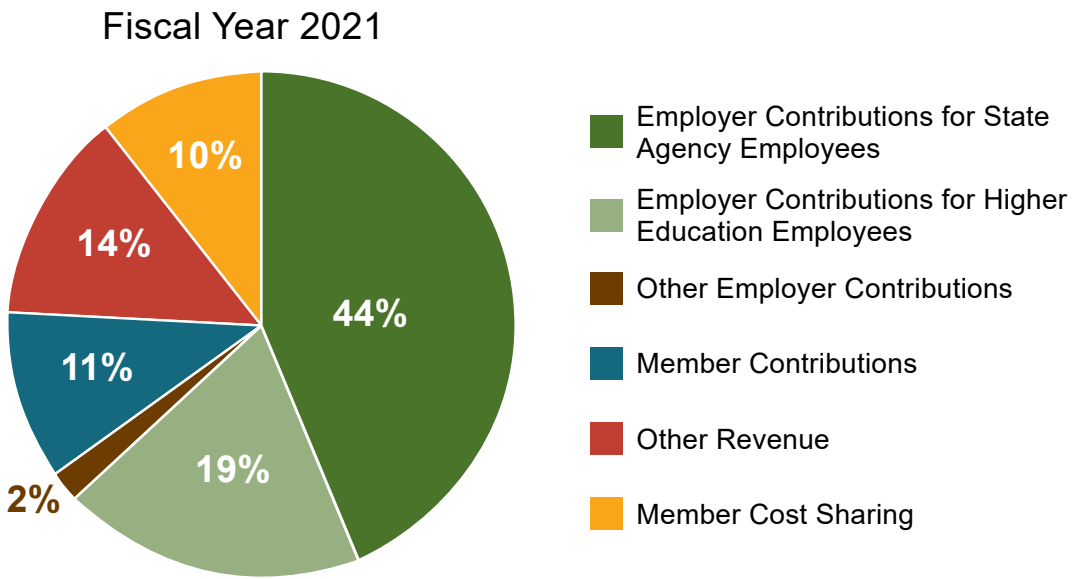
Reed Group Management, LLC administers the optional self-insured short-term and long-term disability insurance coverage (TIPP)

Severity Level	PG Category	Performance Results	PG Assessments	PG Requirement	PG Actual
3	Moderate PGs	4 Moderate PG assessments	**Financial Accuracy Rate of Claims** 3 PGs assessed (3 of 4 quarters)	98% per quarter	96%, 97% and 97%
			Timely Claims Processing 1 PG assessed (1 of 4 quarters)	98% per quarter	96%
4	Minor PGs	2 Minor PG assessments	**Interval Service Level (Speed of Calls Answered)** 1 PG assessed (1 of 4 quarters)	85% per quarter	49.11%
			Reporting Requirements 1 PG assessed (1 of 12 months)	100% per month	88%

Appendix

Financial Tables
Legislative Update
Looking ahead to FY22

Who pays for GBP health care benefits?



GBP cost by health plan, FY21

Costs in this table are based on FY21 incurred claims and are net of rebates and subsidies. The Cost Containment section of this report includes amounts based on FY21 paid claims, which may have been incurred prior to FY21.

	Medical Cost	Pharmacy Cost	Administrative Cost	Total
HealthSelect self-funded plans[1]	$2,240,593,631	$539,939,990	$54,140,964	**$2,834,674,585**
Scott and White Care Plans	$71,495,077	$14,417,308	$7,057,295	**$92,969,680**
Community First Health Plans	$13,008,626	$3,105,689	$2,108,471	**$18,222,786**
Medicare Advantage HMO[2] – KelseyCare	$1,612,512	$640,332	$326,383	**$2,579,227**
Medicare Advantage PPO[2] – Humana	$76,715,369	$121,888,799	$20,609,421	**$219,213,589**
Total for all GBP Health Plans	**$2,403,425,215**	**$679,992,118**	**$84,242,534**	**$3,167,659,867**

[1] HealthSelect self-funded plans include HealthSelect of Texas, Consumer Directed HealthSelect, HealthSelect Out-of-State and HealthSelect Secondary

[2] 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, FY21

Optional Program	FY21 Administrative Costs
TexFlex	$1,077,072
State of Texas Dental Choice	$3,974,541
DeltaCare USA DHMO	$1,607,825
State of Texas Vision	$919,248
Life insurance plans (all)	$3,625,801
Texas Income Protection Plan (disability insurance)	$5,696,721

Projected annual average health care cost trend for FY22-24

Category	Increased Use of Service	Provider Price Increases	Maintenance of Member Share	Total
Hospital	3.0%	3.0%	0.6%	6.6%
Other Medical Services	2.0%	2.1%	0.2%	4.3%
Gross Pharmacy (without rebates)	3.0%	4.5%	2.2%	9.7%
Total	2.7%	3.2%	0.9%	6.8%

GBP health plans financial status

Summary of Actual and Projected* Health Plans Experience *(through October 2021)* $Millions										
	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
					Projected					
Revenue										
State Contributions	$2,895.2	$2,947.9	$2,989.8	$2,987.2	$2,949.0	$2,985.2	$3,020.6	$3,057.9	$3,096.9	$3,138.0
Member Contributions	509.2	505.0	504.5	490.3	483.4	489.4	495.2	501.3	507.7	514.4
Other Revenue	421.5	588.7	617.2	661.0	688.7	722.0	766.9	809.8	850.4	888.6
Total Revenue	**$3,825.9**	**$4,041.6**	**$4,111.5**	**$4,138.5**	**$4,121.1**	**$4,196.6**	**$4,282.7**	**$4,369.0**	**$4,455.0**	**$4,541.0**
Health Care Expenditures	**$3,182.5**	**$3,389.4**	**$3,507.9**	**$3,731.9**	**$3,932.1**	**$4,192.0**	**$4,557.1**	**$4,936.5**	**$5,335.1**	**$5,772.3**
Net Gain (Loss)	**$643.4**	**$652.2**	**$603.6**	**$406.6**	**$189.0**	**$4.6**	**($274.4)**	**($567.5)**	**($880.1)**	**($1,231.3)**
Fund Balance	**$1,441.1**	**$2,093.3**	**$2,696.9**	**$3,103.5**	**$3,292.5**	**$3,297.1**	**$3,022.7**	**$2,455.2**	**$1,575.1**	**$343.8**
Other Expenses Incurred Outside of the GBP Fund										
Member Cost Sharing	**$481.2**	**$472.3**	**$443.7**	**$443.6**	**$437.5**	**$442.9**	**$448.2**	**$453.7**	**$459.5**	**$465.6**

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

Updates from the 87th legislative session

- **Senate Bill 1** – The Legislature maintained funding levels for state employee, retiree and dependent health care coverage
  - **Review and Report Alternative Delivery Methods** – ERS Rider #17 requires the agency to engage a third party vendor to examine alternative methods to deliver the current benefits supplied under the GBP. Following a procurement process, the Board of Trustees selected Willis Towers Watson as the vendor to assist ERS with this analysis. A report is due to the Legislature by August 31, 2022.
  - **Data sharing with other state agencies** – ERS continues to work with the Health and Human Services Commission, the Texas Department of State Health Services, Teacher Retirement System of Texas and the Texas Department of Criminal Justice in the development of a system for sharing health care cost data among state-funded programs. HHSC will submit a joint biennial report on the status of the project September 1, 2022.
- **Senate Bill 827** – limits member cost share for insulin to $25 per prescription per month for a 30-day supply, effective September 1, 2022.
- **Senate Bill 1065** – requires ERS health plans to cover diagnostic imaging (mammograms, ultrasound and MRI) to detect breast cancer and abnormalities in the breast for those with a personal history of breast cancer, effective September 1, 2022.

Updates from the 87th legislative session (continued)

- **House Bill 3459** – establishes a review process under which a provider who has a 90% prior authorization approval rate for a particular health care service for the prior six months is exempt from prior authorization requirements for that particular procedure, effective January 1, 2022.
- **House Bill 2090** – requires the Texas Department of Insurance to create a Texas all payer claims database with an advisory group, which includes ERS as a member. Additionally, effective September 1, 2024, all health benefit plans will be required to create a public self-service cost estimator tool with accurate cost estimates for in-network, out-of-network, preventive and non-preventive procedures, effective June 7, 2021.

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.