

Texas Employees Group Benefits Program Annual Report FY24

Employees Retirement System of Texas

FEBRUARY 2025



ERS[®]
EMPLOYEES RETIREMENT
SYSTEM OF TEXAS

Employees Retirement System of Texas

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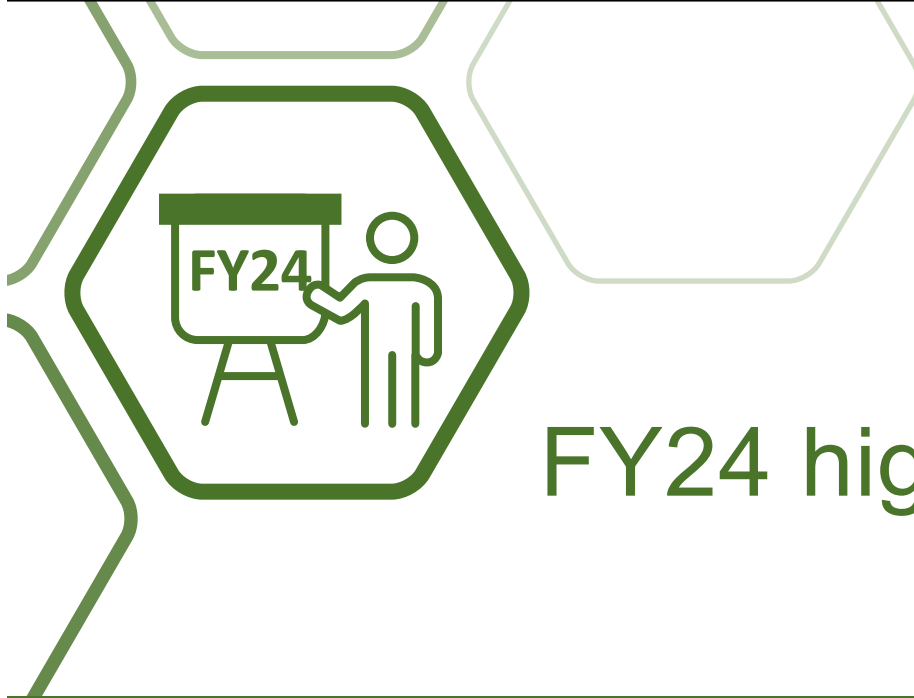
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Overview



FY24 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: \$9.1 billion in FY24

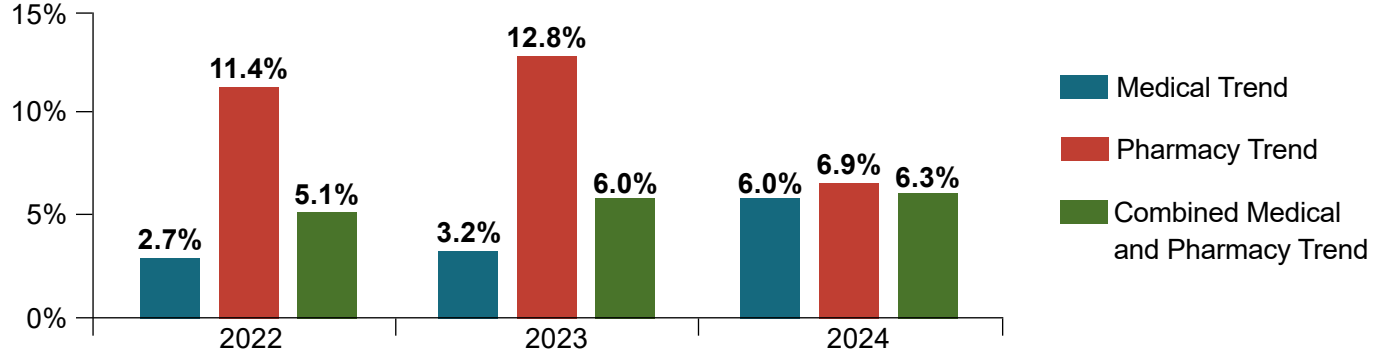
HealthSelect plans provide significant savings with a broad network of medical providers and pharmacies that have contracted with the plan at negotiated, discounted rates. **This strong network provides high-quality care to participants while managing and controlling health care costs for the state.**

HealthSelect's pharmacy benefits manager (PBM) and third-party administrator (TPA) have negotiated discounted rates with nearly 4,900 pharmacies and more than 155,000 health care providers and facilities across the state, including more than 24,000 primary care physicians.



The self-funded HealthSelect plans experienced a higher cost trend in FY24 than in FY23

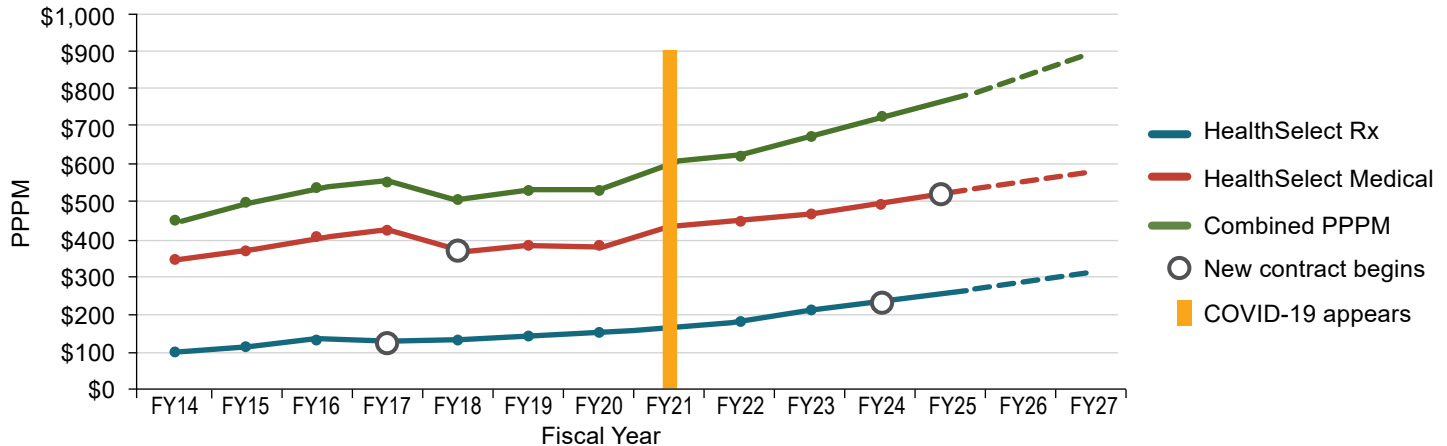
FY24 medical trend was slightly higher than historical averages. Glucagon-like peptide-1 agonists (GLP-1s), medications primarily covered for the treatment of Type 2 diabetes, continue to be a significant cost driver. However, pharmacy trend was lower than average due to savings associated with the new PBM contract that went into effect Jan. 1, 2024. The result is a combined trend that is 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 contracts in FY17 and FY24 and the HealthSelect medical TPA contract in FY18 caused improvements to the cost trend. The new TPA contract effective FY25 is projected to further reduce costs.

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.

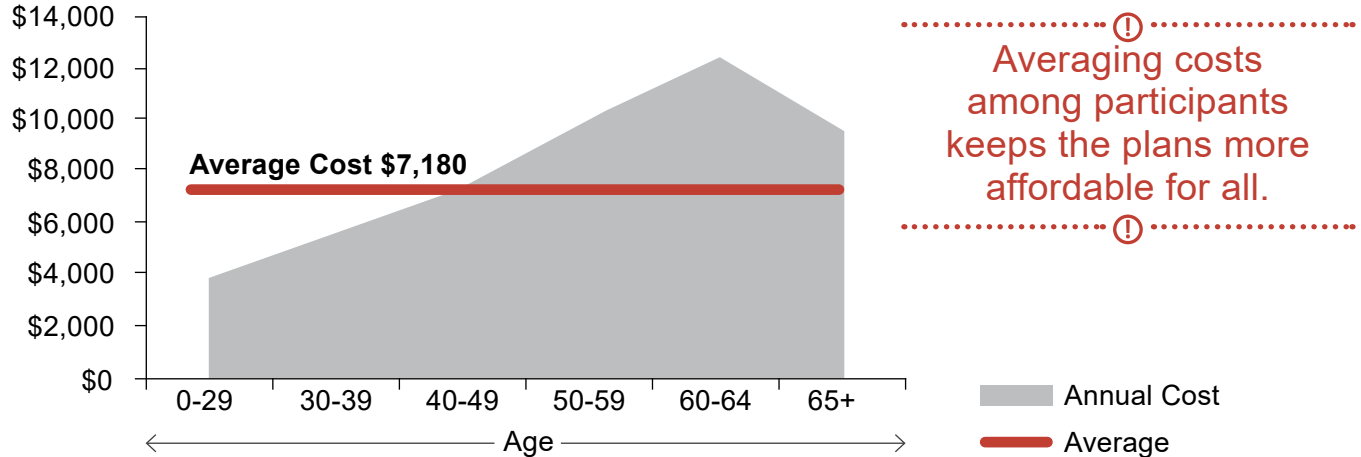


87% of HealthSelect of Texas participants have designated a PCP.

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.

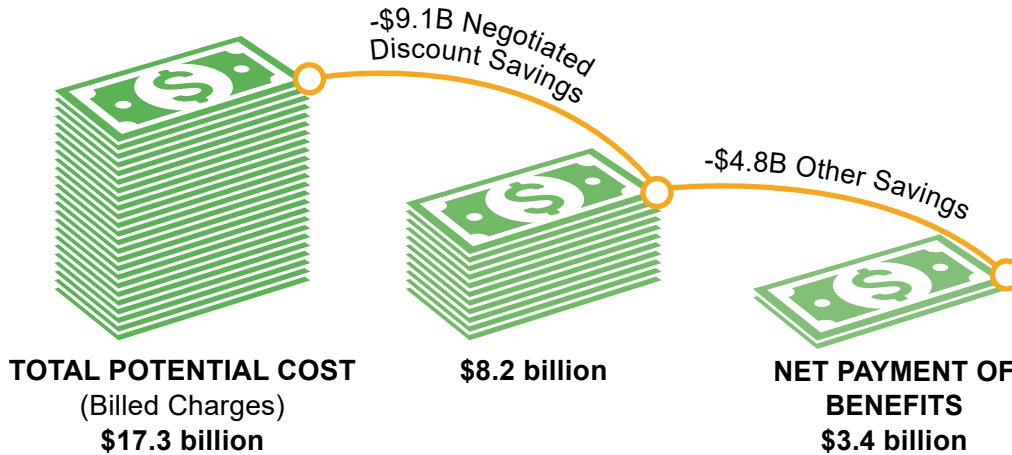
HealthSelect's average annual claims cost per participant, by age group, all medical and pharmacy* claims, FY24



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

Effective management reduced FY24 HealthSelect costs by \$12.7 billion

Largely as a result of strategic and effective contracting, the plans paid \$3.4 billion in health care costs, instead of the \$17.3 billion that could have been paid without active plan management



HealthSelect at a glance



<3¢

Portion of every HealthSelect dollar spent on administrative costs

HealthSelect^{of Texas}

Average annual HealthSelect cost per participant: **\$7,180**



Annual savings due to removing ineligible dependents: **\$2.5M**



Number of medical claims paid: **6.9M**



Potential cost of member-only monthly rate without cost-management savings: **\$3,148**



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

HealthSelect at a glance



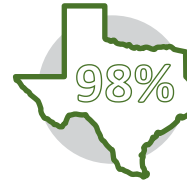
Savings from HealthSelect
cost management practices:
\$13.9B



Number of HealthSelect medical
and mental health virtual visits*:
149,102



Payments from all GBP health plans to
doctors, hospitals, pharmacies and other
care providers across Texas: **\$3.7B**



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

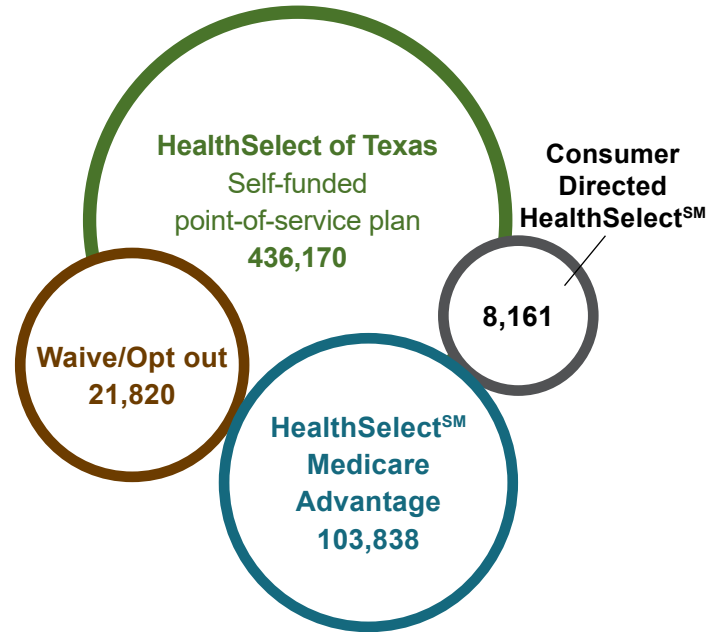
ERS has administered insurance benefits for state agency employees and retirees since 1976. Employees and retirees of Texas public community colleges and higher education institutions, other than the University of Texas and Texas A&M University systems, joined in 1992.

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 22,000 eligible employees and retirees elected to waive or opt out of GBP health plan coverage in FY24.

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

Aug. 31, 2024



GBP benefits available in FY24

 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 FY24 (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 – FY24 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



2024 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 CY24

	Individual Coverage	Family Coverage
Annual maximum contribution	\$4,150	\$8,300
Annual state contribution	\$540 (\$45 monthly)	\$1,080 (\$90 monthly)
Annual maximum participant contribution	\$3,610	\$7,220

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

HSA Activity (Jan. 1 – Aug. 31, 2024)	
Number of accounts active	4,857
Average account balance	\$1,617
Average employee monthly contribution	\$231

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 through Dec.31, 2023, and by Express Scripts, Inc. beginning Jan. 1, 2024.

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

HealthSelectSM
Medicare Advantage Plan



HealthSelectSM
of Texas
Medicare 

Tiered premium contributions 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 five 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 reduced contributions for those who contribute to the cost of coverage

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.

A large graphic of the number 83% in a green, outlined font. The percentage sign is also outlined and positioned to the right of the number 83.

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. The plan was administered by UnitedHealthcare[®] Services, Inc., also known as Optum Rx, through Dec. 31, 2023.

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

*not applicable to Consumer Directed HealthSelect
30-day supply of maintenance medication: \$45 for Tier 2 & \$75 for Tier 3
90-day supply of medication at retail is available only from pharmacies in the Extended Day Supply (EDS) network

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	FY24 TPA/Insurer	FY24 Enrollment
Dental	PPO	Self-funded	Delta Dental	393,938
	HMO	Fully insured	DeltaCare® USA	89,980
Vision	Vision insurance	Self-funded	EyeMed Vision Care, LLC	334,484
Optional Life	Group term insurance	Fully insured	Minnesota Life Insurance Co.	216,355
Dependent Life				93,904
Voluntary AD&D	Group term insurance	Fully insured	Minnesota Life Insurance Co.	125,100
Texas Income Protection Plan (Disability Insurance)	Short-term	Self-funded	Alight Solutions, formerly known as ReedGroup	109,642
	Long-term	Self-funded		83,166
TexFlex	Flexible spending accounts	NA	Inspira Financial	39,595

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 EyeMed Vision Care, LLC (EyeMed) beginning Sept. 1, 2023.

STATE OF TEXAS
DENTAL CHOICE PLAN



DeltaCare[®] USA



STATE OF TEXAS
VISION

FY24 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 FY24: \$3,050 per member	Maximum contribution FY24: \$3,050 per member	Maximum contribution FY24: \$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
\$610* allowable carryover	\$610* allowable carryover	Eligible for grace period
Subject to forfeiture	Subject to forfeiture	Subject to forfeiture
Accounts: 36,827	Accounts: 245	Accounts: 2,523

*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 FY24 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).

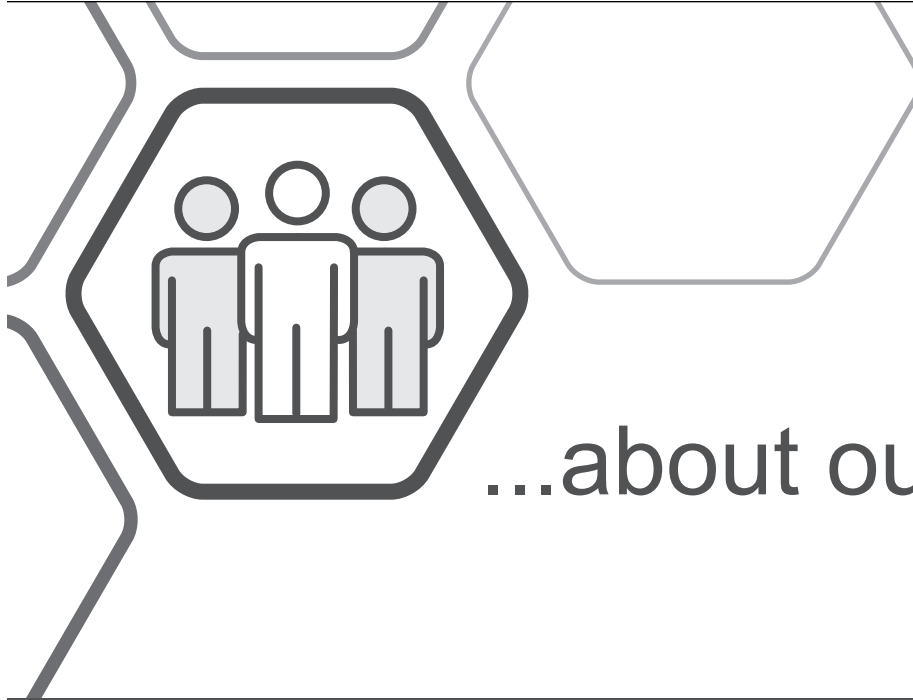
GBP Plan Changes, FY24

Fiscal Year 2024	HealthSelect of Texas	<ul style="list-style-type: none"> • Coverage for diabetic supplies except those specific to continuous glucose monitors and insulin pumps moved to the HealthSelect of Texas Prescription Drug Plan effective Sept. 1, 2023. • Cranial prosthetics (wig) coverage added for hair loss due to specific medical conditions, up to a \$1,000 lifetime benefit.
	HealthSelect of Texas Prescription Drug Program (PDP), Consumer Directed HealthSelect PDP	<ul style="list-style-type: none"> • Removed coverage of COVID-19 test kits, and added COVID-19 vaccine as commonly covered vaccine (due to Public Health Emergency end date of May 11, 2023). • Added coverage of continuous glucose monitors, effective Jan. 1, 2024. • Pharmacy benefit manager for these plans transitioned from OptumRx to Express Scripts on Jan. 1, 2024.

GBP Plan Changes, FY24 (continued)

Fiscal Year 2024	State of Texas Dental Choice PPO	Removed exclusion related to expenses incurred outside of the U.S., to allow as out-of-network benefits, reimbursable in U.S. currency.
	State of Texas Vision	<ul style="list-style-type: none"> • In-network polycarbonate lenses copay reduced from \$50 to \$40. • Out-of-network elective contact lenses reimbursement amount increased from up to \$150 to up to \$200. • Coverage for in-network premium progressive lenses will pay up to the amount the plan pays for standard progressive lenses. • Though retinal imaging is not covered, the participant will not be charged more than \$39 when using an in-network vision provider. • EyeMed Vision Care, LLC is new plan administrator effective Sept. 1, 2023.

Whom We Serve



...about our members

Who can enroll in the GBP?

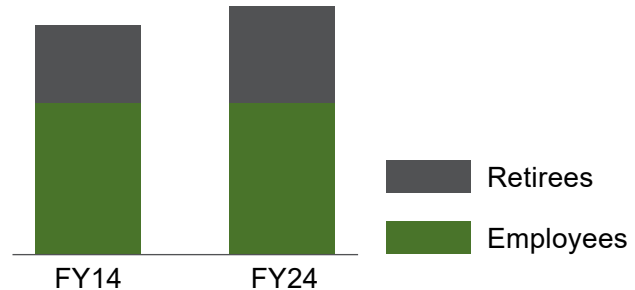
The GBP provides health insurance coverage and optional benefits to employees and retirees of state agencies and public institutions of higher education (except the University of Texas and Texas A&M University systems), and their eligible family members.

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 33% over 10 years.

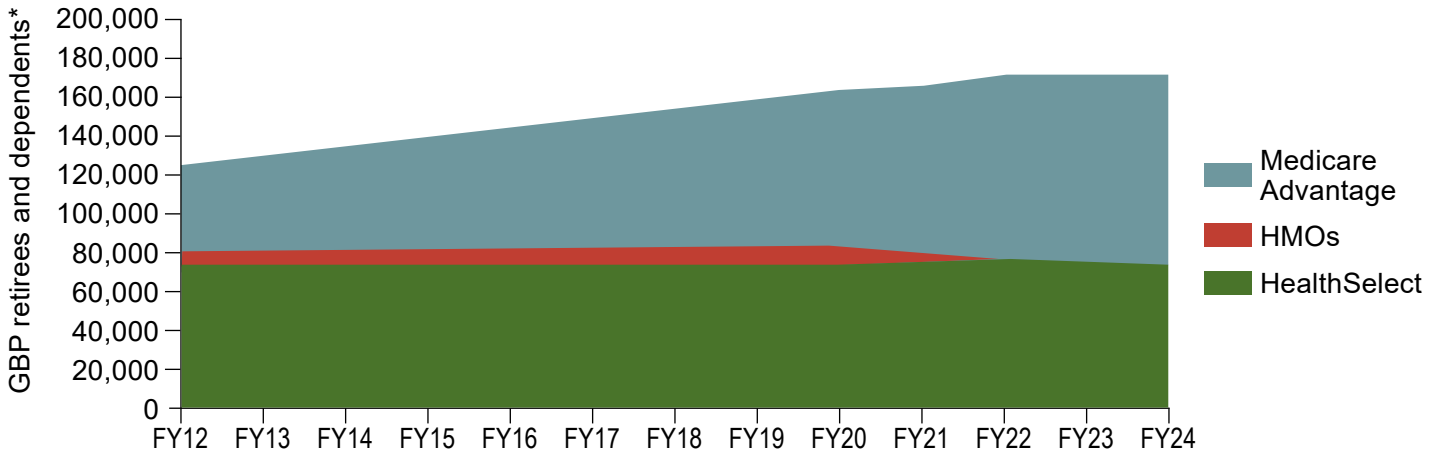
GBP health insurance enrollment (members - not including dependents)

	FY14	FY24	% Change
Employees	211,378	215,719	2.05%
Retirees	97,238	129,806	33.49%
Total	308,616	345,525	11.96%



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.



*includes those not eligible for Medicare.



Retirees choosing the MA plan saved \$93 million in FY24 member contributions.

GBP health plan member demographics (FY24)

	Active Employees	Pre-65 Retirees	65+ Retirees	All Members*
Total Number	215,719	31,608	98,198	345,525
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	35%	28%	23%	31%
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	14 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.

Risk of chronic conditions increases with age

With age, the risk for common chronic conditions increases.

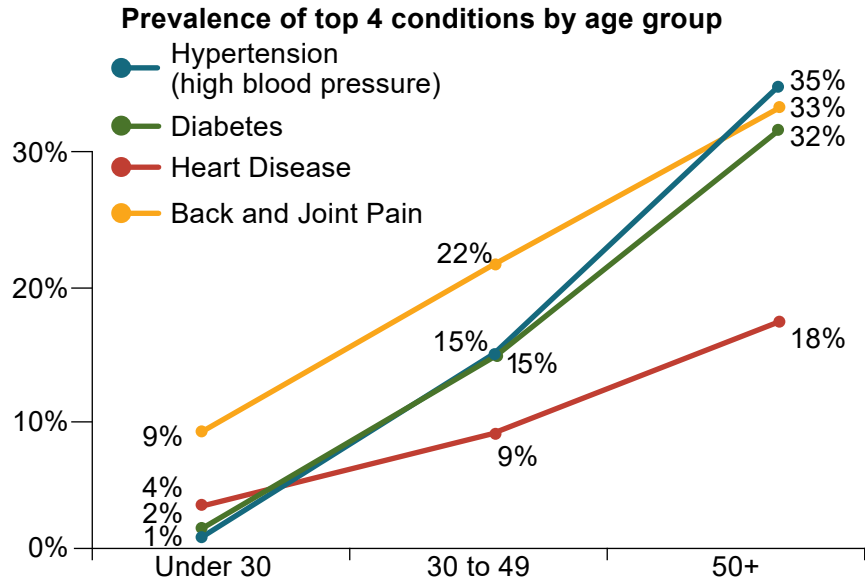
The average age of a GBP member (both employees and retirees) is 55.

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 FY24 HealthSelect population living with chronic conditions (Medicare population not included)



Spotlight:



The value of HealthSelect of Texas

Generous state funding and competitive plan design account for HealthSelect of Texas' outstanding value to state employees

In the most recent State Auditor's report on "State Employee Benefits as a Percentage of Total Compensation" (FY21), benefits accounted for roughly a third of the average state employee's total compensation. Benefits include health care, retirement program, paid leave and federal Social Security contributions.

In terms of health care benefits, value is embedded in both the State of Texas funding for coverage and plan design, especially compared to other large employer plans.

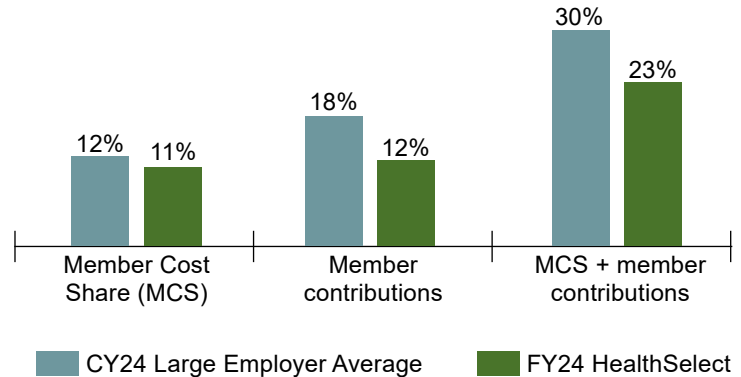
- **Without the state funding 100% of a full-time employee's member-only coverage, and 50% of dependent coverage, an employee would have to pay the following additional amounts from their paycheck:**
 - \$622.60 for member-only coverage
 - \$980.60 for member + spouse coverage
 - \$862.30 for member + children coverage, or
 - \$1,220.30 for family coverage.
- HealthSelect of Texas pays its share of in-network claims beginning with a participant's first visit – meaning that employees and dependents pay **no deductible before the plan begins to pay for medical services**, and pay a low (\$50) deductible on prescriptions.

Generous state funding and competitive plan design account for HealthSelect of Texas' outstanding value to state employees (continued)

The most recent Financial Benchmarks Survey (CY24) from a national consulting firm, Willis Towers Watson, shows that compared to what employees with plans offered by other large employers pay, HealthSelect of Texas participants pay:

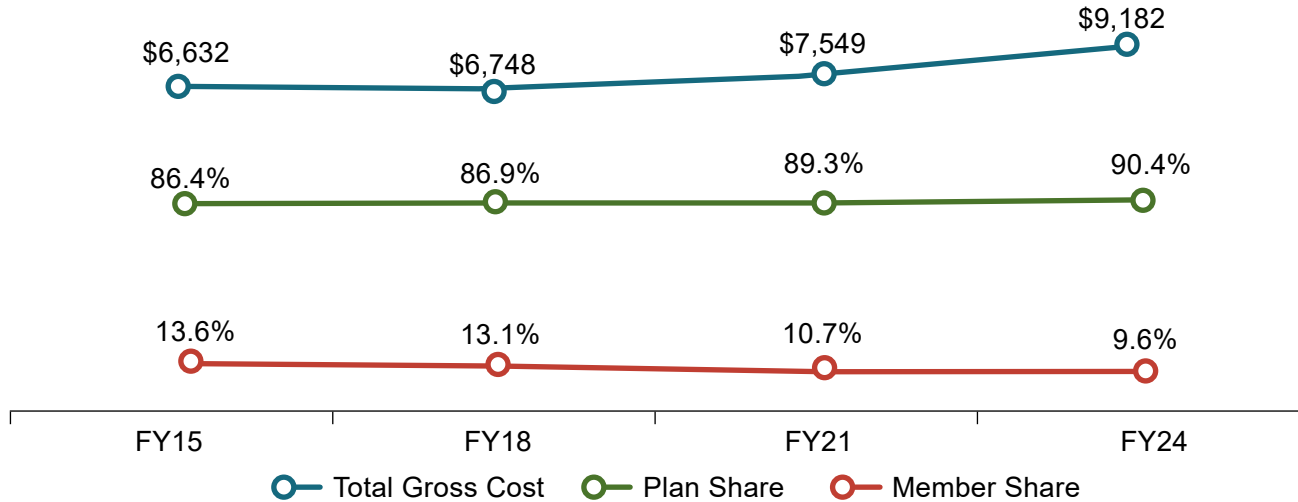
- a slightly smaller share of health care costs – known as Member Cost Share. These are the \$50 prescription deductible, copays and coinsurance that a participant pays.
- a much smaller share of premium contributions.
- a smaller share of the total net cost. The net costs includes rebates and subsidies, as well as the employee's premium contribution.

State of Texas employees pay a smaller than average share of health care costs and coverage as a percentage of total net cost



As health plan costs have risen, a member's share of the cost has steadily declined

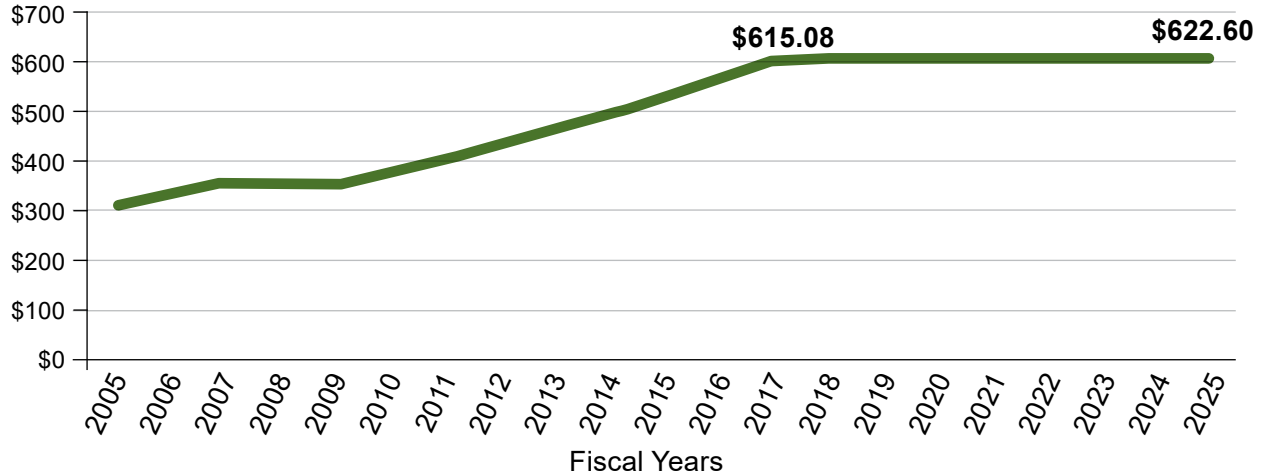
As plan sponsor, the State of Texas has born the incremental increases in gross costs while maintaining robust benefits. As a result, a member's share of the cost, including the \$50 prescription deductible, copays and coinsurance, has incrementally declined as a percentage of gross plan costs.



HealthSelectSM contribution rates have remained steady for the last 8 years

As a result of cost management and regularly and competitively bidding contracts to administer the HealthSelect medical and pharmacy plans, ERS has held the contribution rate steady since FY17.

Contribution history for member-only coverage



Cost Trends



...about the
marketplace

The projected average annual increase in benefit cost for FY25-27 is 7.5%

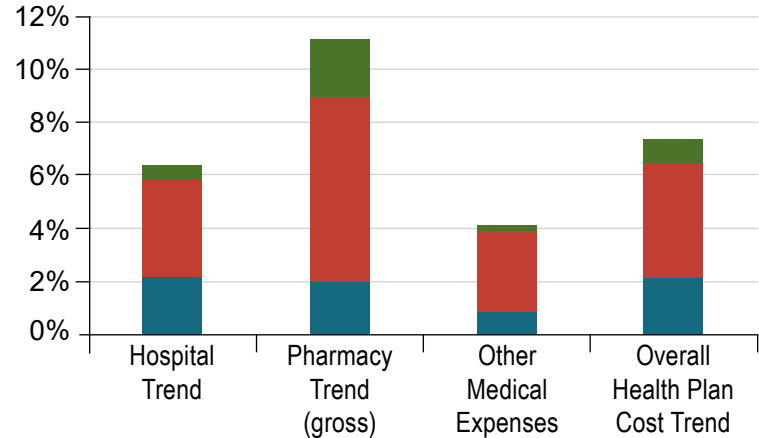
The major components of the projected plan cost trend are increases in:

- 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.



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

Projected HealthSelect benefit cost trends, FY25-27



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

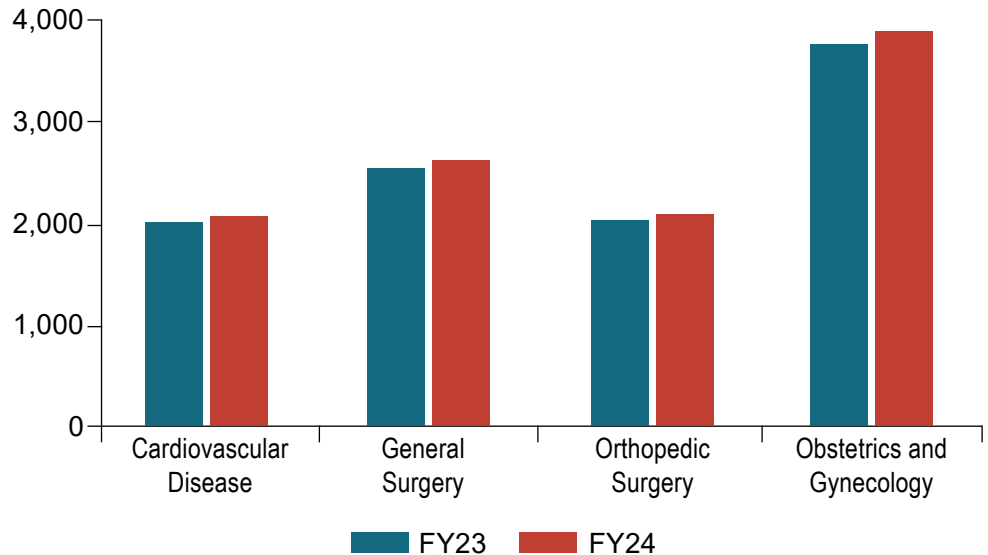
HealthSelect maintains access to a broad, high-quality network

The broad HealthSelect provider network offers participants significant provider choice.

The network offers 24,099 primary care physicians, up 7.1% from FY23. The percentage of providers accepting new patients exceeded 96%.

The number of mental health providers for FY24 is 29,346, a 17.1% increase compared to FY23. In FY24, participant satisfaction with the network was 89%.

HealthSelect specialty network remains strong, as illustrated by four selected specialties



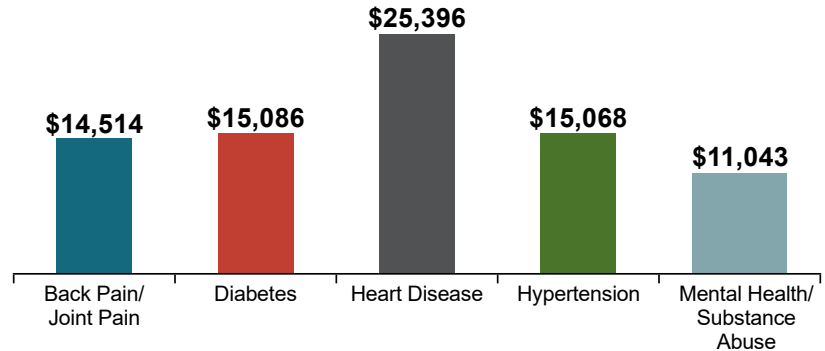
FY24 plan costs for a HealthSelect participant living with a chronic condition were higher than the \$7,180 average for all participants

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

- Back and Joint Pain: 20%
- Diabetes: 15%
- Heart Disease: 10%
- Hypertension: 16%
- Mental Health and Substance Abuse: 22%

Note: Participants are counted in each category for which they had a medical claim in FY24. 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.

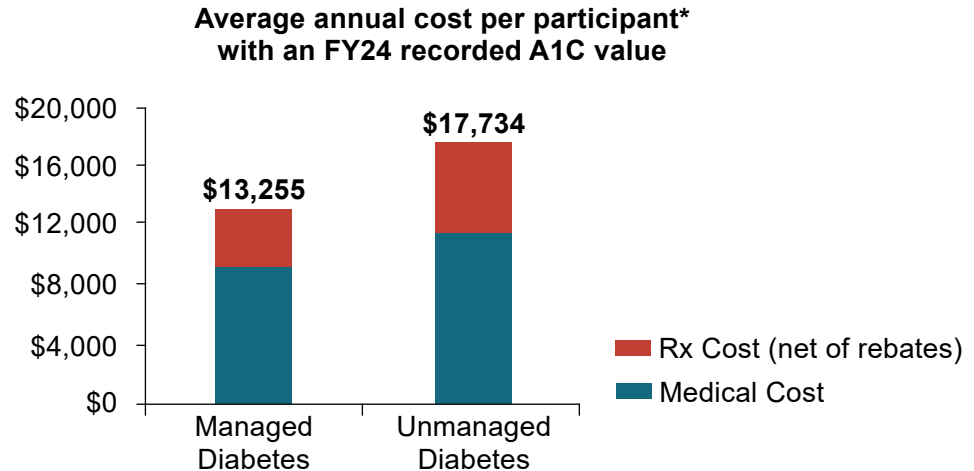
Managing diabetes helps both the participant and the plan

In FY24, participants with managed diabetes, who were not Medicare-primary, had 23% fewer emergency room visits and 55% 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 25% lower

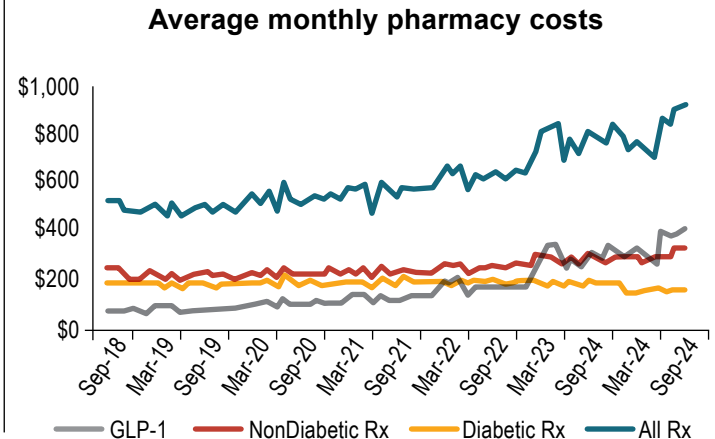
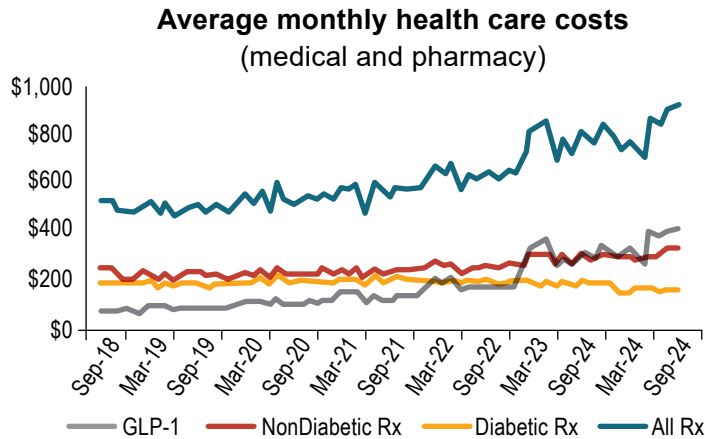


*Represents 40% of the total population with diabetes referenced in the previous slide on certain chronic conditions.

The impact of high-cost GLP-1 agonist drugs

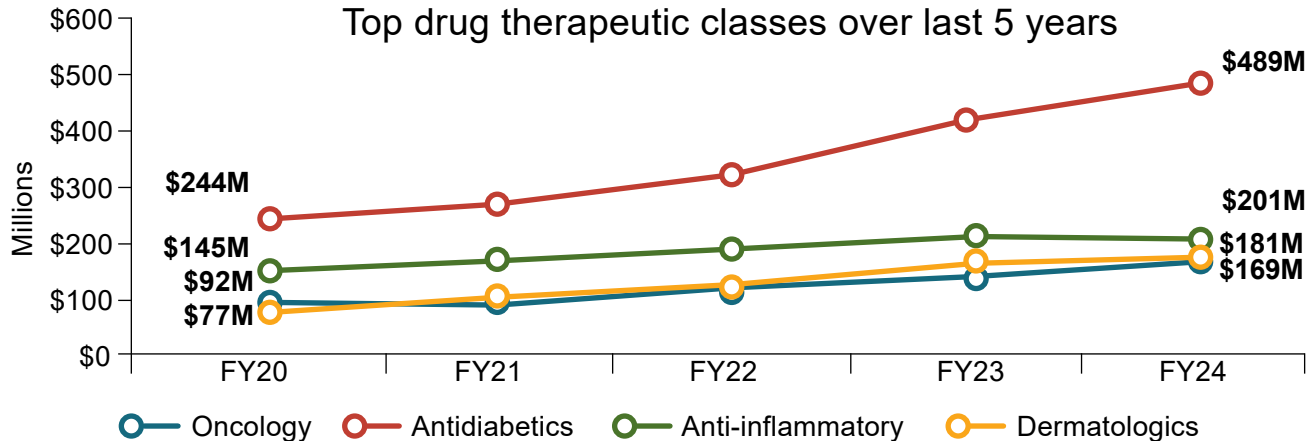
These high-cost drugs are rapidly increasing utilization and have received considerable media attention due to the significant weight loss associated with their use. In order to maintain the positive results, a patient typically must take the medication indefinitely.

GLP-1 agonists, which the plan covers for the treatment of diabetes, accounted for 41% of the \$175.4 million increase on PY24 gross 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.



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 Type 2 diabetes, such as Ozempic® and Mounjaro™, as well as increasing drug prices and utilization.

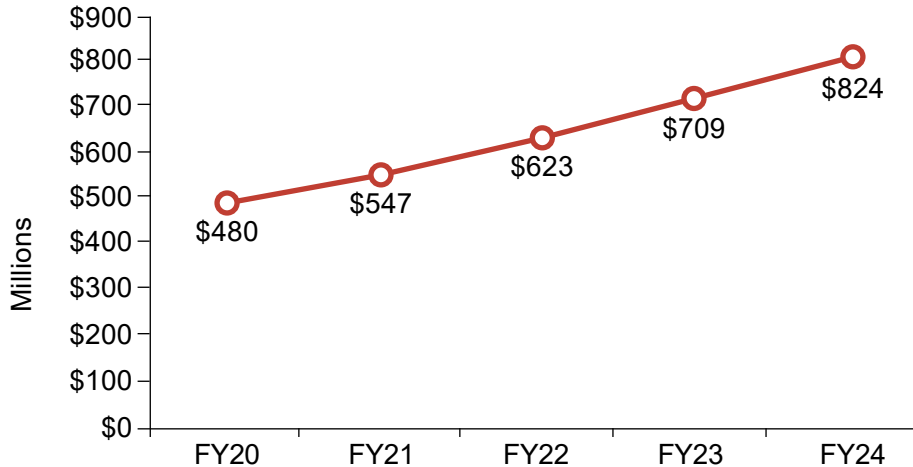


Note: Amounts are gross, not net of rebates.

Specialty drugs represented 2% of all FY24 prescriptions filled and 45% of total prescription drug spend

The HealthSelect self-funded plans paid \$824 million for approximately 134,000 specialty claims, before rebates.

Specialty drug costs have increased 72% in 4 years



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

Top 3 Specialty Conditions

- Inflammatory diseases
- Inflammatory skin conditions
- Cancers

Best Practices



...successes and
new programs
in FY24

Catapult Health work-site screenings and VirtualCheckups® expands access to annual preventive exams among HealthSelect participants

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

After piloting worksite preventive check-ups with a few employers, in FY24 ERS extended this option to all GBP-participating employers. Texas Department of Transportation was the top user of Catapult, increasing annual preventive exams in their employee population by 11% with Catapult screenings.

Catapult Health VirtualCheckup – home kits

In FY24, Catapult Health VirtualCheckup provides at-home testing and a virtual video consultation with a licensed nurse practitioner. Catapult sends results to each participant's primary care provider (PCP) and helps those without a PCP to find one.

Catapult Health VirtualCheckups®

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
VirtualCheckups
to all non-
Medicare-primary
HealthSelect
participants
in FY24.
.....!.....

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

The 86th Legislature included budget rider language directing ERS to 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.

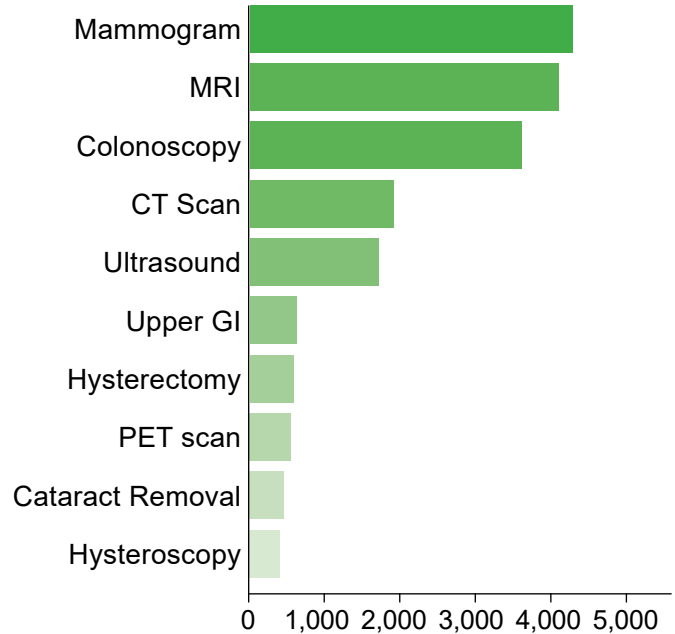
This incentive program is available to active employees enrolled in HealthSelect of Texas, HealthSelect Out-of-State and Consumer Directed HealthSelect. Employees can earn up to \$500 each plan year credited to a flexible spending account when they and/ or their covered dependents compare prices on certain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



HealthSelectShoppERS continues to grow in third year

- **53%** of eligible households activated HealthSelectShoppERS (electronically or telephonically) since the program began
- Of those activated, **19%** shopped and received an incentive in FY24
- FY24 gross plan savings: **\$864,170**
- Program-to-date savings (Sept. 1, 2020 - Aug. 31, 2024): **\$3,239,496**
- FY24 incentives earned: **\$111,640**
- Program-to-date incentives: **\$473,975**

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 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 FY23, PCMH practices saved the plan \$144.2 million and providers received \$37.7 million in shared-savings payments, in addition to their contracted reimbursements for medical care. FY24 savings have not yet been finalized.

Austin Regional Clinic
Austin – **25,349**

Austin Diagnostic Clinic P.A.
Austin – **3,846**

Covenant Health Partners
Lubbock – **7,950**

Christus Connected Care Network
Tyler – **5,497**

Amarillo Legacy Medical ACO, LLC
Amarillo – **2,879**

UMC Health Network, Inc.
Lubbock – **8,231**

Catalyst Health Network
Lufkin – **3,305**



57,057
TOTAL PCMH
PARTICIPANTS
IN FY24

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 Austin/San Marcos areas, though provider participation in these arrangements has fluctuated in the past year. In FY24, 50 participants sought knee replacement services, and 30 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 10 participants with knee replacement services and 5 participants with hip replacement services in FY24.

HealthSelect Virtual Visits grew 19% in FY24

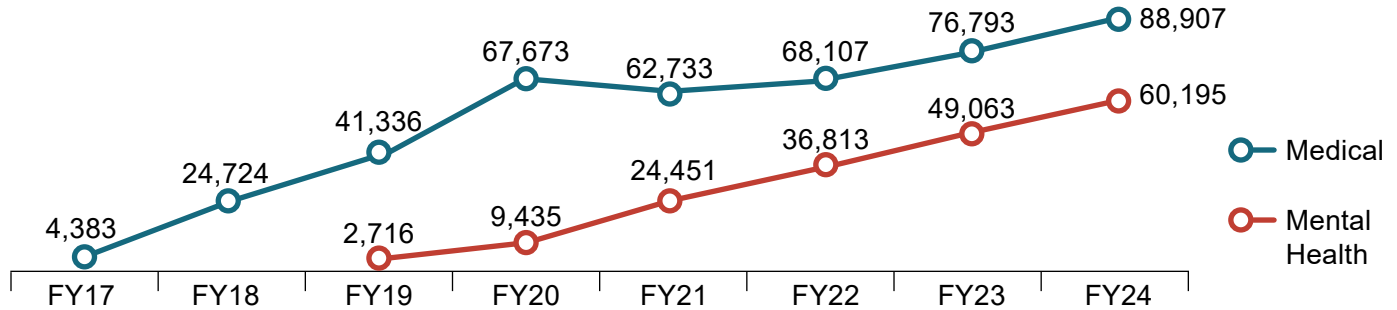
Virtual Visits are those visits received through Doctor On Demand® and MDLIVE® which connect participants with a licensed provider directly through their mobile devices or computers. Virtual Visits also contribute to lower plan costs.

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:

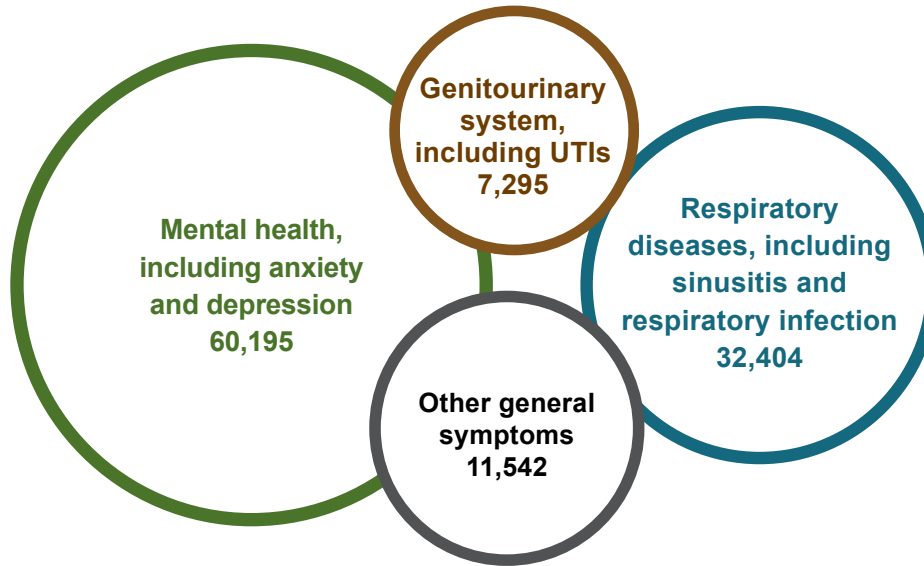
- Doctor On Demand: 4.95 on a 5-point scale
- MDLIVE: 89% positive

Both medical and mental health Virtual Visits increased



Most common Virtual Visit conditions in FY24

The most common reason 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.



ERS develops Buena Vida program to help HealthSelect of Texas plan participants take control of their well-being

Buena Vida well-being program

In FY24, ERS laid the groundwork for the October 2024 launch of Buena Vida, a new well-being program designed for employees and their dependents age 18 or older who participate in the HealthSelect of Texas, Consumer Directed HealthSelect and HealthSelect Secondary plans. It's also designed for employing agencies and institutions that want to engage their workforce in healthy activities through custom communications and turn-key fitness challenges.

Bringing personalized content and benefits into one place, Buena Vida is a product of a FY24 competitive bidding process to select a vendor (WebMD) capable of delivering an innovative and engaging platform. ERS crafted the Buena Vida brand, a name and concept inspired by the idea of the "Good Life" (English translation) to encapsulate our commitment to supporting the health and well-being of our members.



ERS develops Buena Vida program to help HealthSelect of Texas plan participants take control of their well-being (continued)

The Buena Vida program features:

- **An online portal:** A centralized, user-friendly hub that provides members access to personalized tools and a full suite of benefits
- **Customized incentives:** Tailored options that allow ERS to design rewards programs that will improve health and help participants prevent and detect chronic conditions early
- **Engaging challenges:** Interactive activities aimed at fostering healthy habits and driving increased agency participation
- **Tailored communication:** Personalized messaging strategies designed to meet members where they are to make well-being accessible and relevant
- **Comprehensive benefit integration:** Seamless linkage to all available benefits that support members' physical, mental, and emotional well-being

Buena Vida represents a bold step forward in promoting well-being across the state. With its holistic approach and customizable features, the program empowers members to take charge of their health in ways that align with their personal goals, while also fostering a stronger, healthier workforce for the state.

AMP wellness campaign



Assess with online health assessments



Manage with weight management programs



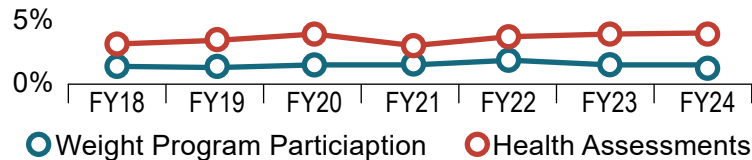
Prevent with annual preventive screenings

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

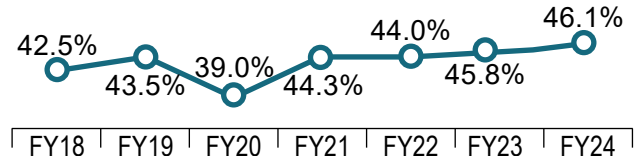
Overall participation in the AMP wellness activities remains low, which provides continued opportunity for improved engagement and promotion of these benefits.

Total Participation (age 18+): Assess & Manage



Numbers are adjusted from previous reports to include Catapult visits.

Total Participation: Preventive Visits



Group Benefits Advisory Committee (GBAC) brings stakeholder perspectives to ERS

The GBAC advises the ERS Board of Trustees and staff on the planning and development of employee and retiree GBP benefits. The Committee receives 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, 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 2024, the committee meetings provided an opportunity to discuss a variety of topics, including potential design changes to the Texas Income Protection PlanSM (TIPP), coverage of weight loss medications, ways to sustain a competitive GBP, and methods to engage health participants in wellness programs and initiatives. Input from the GBAC helps ERS to continue efforts to offer valuable benefits to employees, retirees and their dependents.

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
Medefy Health	January 16, 2024	Offers a mobile platform solution to connect participants to health resources
Sure, Inc. dba Bexa	April 15, 2024	Offers breast cancer detection services
Diathrive Health	July 11, 2024	Offers diabetes management services

Cost Management and Fraud Prevention

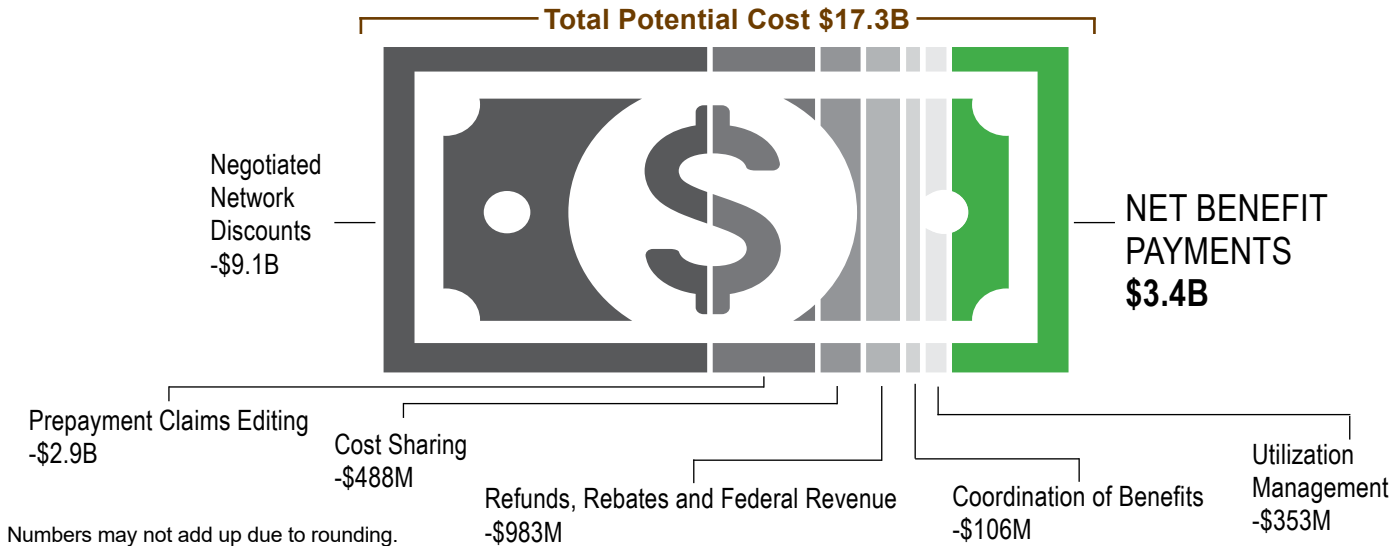


...about our strategies

HealthSelect reduced potential plan cost by \$13.9 billion in FY24

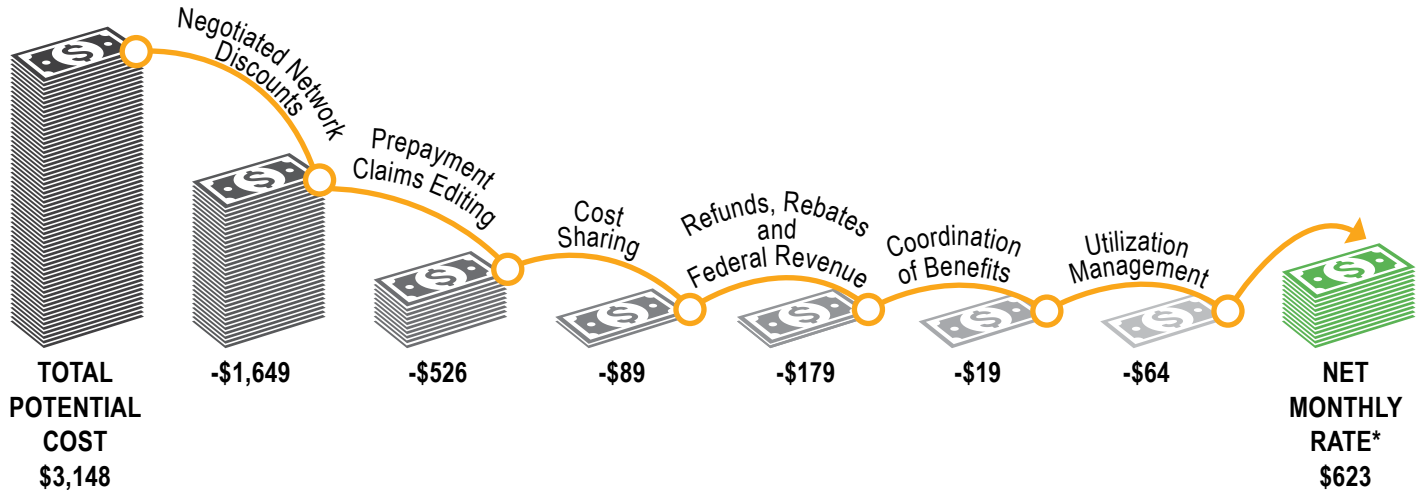
Employee health insurance provided through the self-funded HealthSelect plans cost the State of Texas and members \$3.4 billion in FY24 – so it's important to get the most out of every dollar.

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 FY24 the member-only coverage rate was roughly \$623 per month. Without cost management programs, the rate would have been \$3,148 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		\$	17,326,145,971
2. Estimated Cost Avoided			(353,392,278)
3. Considered Charges			16,972,753,693
4. Less Ineligible Charges (Prepayment Claims Editing)			(2,895,058,306)
5. Eligible Charges			14,077,695,387
6. Less Reductions to Eligible Charges			
a. Prescription Drug Program (PDP) Charge Reductions	\$	1,813,489,059	
b. Provider Discounts and Reductions		7,260,156,419	
c. Medical Copayments and Deductibles		137,599,701	
d. Medical Coinsurance		218,228,696	
e. PDP Cost Sharing		132,074,808	
f. Coordination of Benefits - Medical - Regular		5,546,558	
g. Coordination of Benefits - Medical - Medicare		98,717,277	
h. Miscellaneous Medical Reductions		2,122,301	(9,667,934,819)
7. Gross Benefit Payments		\$	4,409,760,568

8. Less Refunds, Rebates and Federal Revenue

a. PDP Rebates	\$	826,697,789	
b. Federal Revenues - Medicare Part D		149,398,089	
c. Subrogation Recoveries		7,149,987	(983,245,865)
9. Net Benefit Payments			\$ 3,426,514,703

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 FY24 Annual Comprehensive Financial Report (Federal Revenues)
- (5) ERS GBD (BCBSTX Capitation Payments)
- (6) ERS Legal (Subrogation Recoveries)

Utilization and care management, telemedicine, Virtual Visits and other programs avoided more than **\$353 million in plan costs**

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

1. Considered charges plus estimated cost avoided	\$17,326,145,971
2. Estimated cost avoided due to utilization and care management	(\$353,392,278)
3. Considered charges	\$16,972,753,693



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

Prepayment claims editing prevented nearly \$2.9 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	\$16,972,753,693
4. Less charges eliminated through prepayment claims editing	(\$2,895,058,306)
5. Eligible charges	\$14,077,695,387

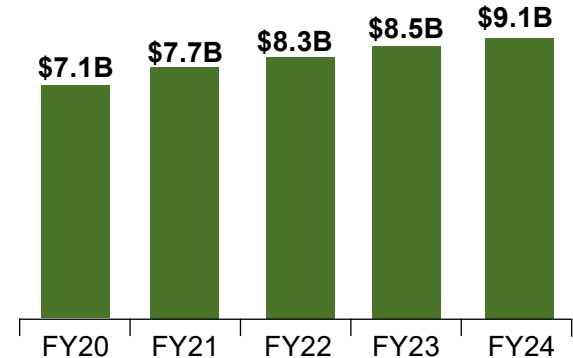
Negotiated network discounts lowered the plan's costs by \$9.1 billion

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	(\$1,813,489,059)
6b. Medical provider discounts and reductions	(\$7,260,156,419)
Subtotal	(\$9,073,645,478)

Negotiated network discounts lowered the state's cost by more than \$41 billion over five years



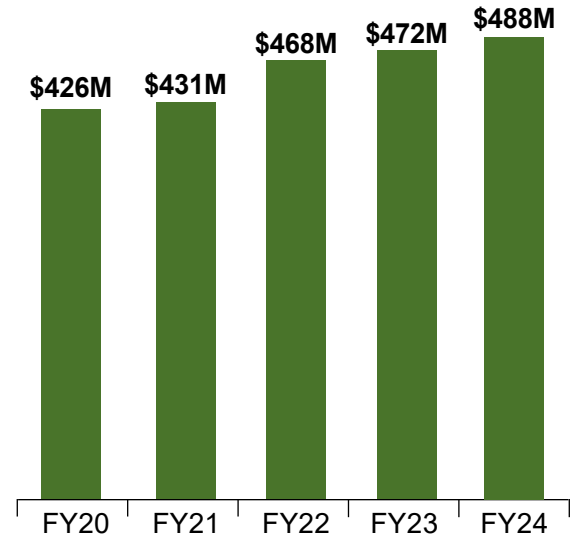
Participants paid \$488 million in deductibles, copays and coinsurance

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	(\$137,599,701)
6d. Medical coinsurance	(\$218,228,696)
6e. PDP cost sharing	(\$132,074,808)
Subtotal	(\$487,903,205)

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



The HealthSelect plans saved \$106 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	(\$5,546,558)
6g. Coordination of benefits - medical – Medicare	(\$98,717,277)
6h. Miscellaneous Medical Reductions	(\$2,122,301)
Subtotal	(\$106,386,136)

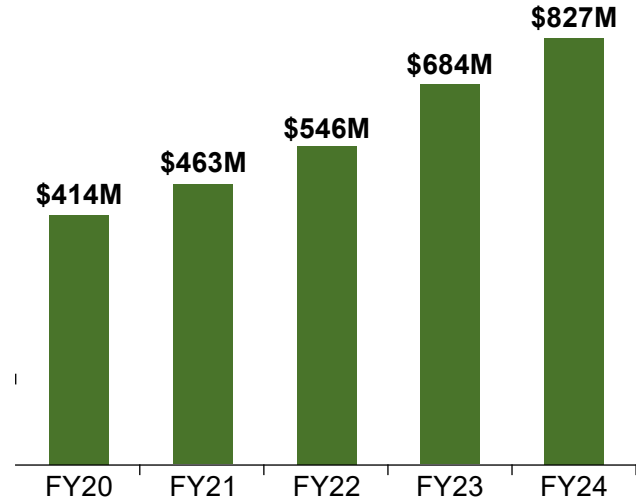
HealthSelect lowered cost by \$827 million through prescription drug rebates

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	(\$826,697,789)
Subtotal	(\$826,697,789)

PDP rebate savings

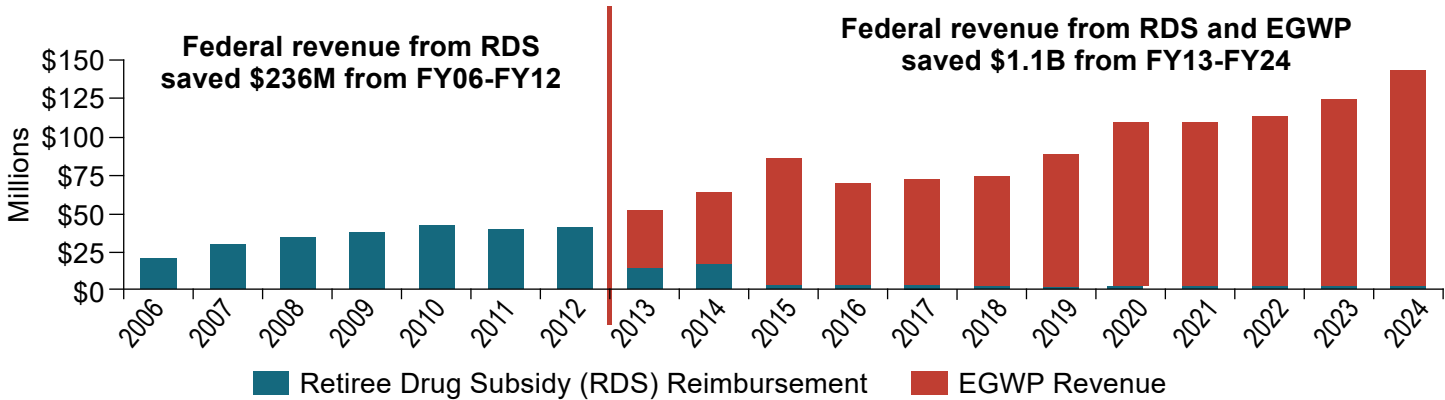


PDP rebates from 2013-2024 include payments of \$685M under the Medicare Part D Coverage Gap Discount Program.

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	(\$149,398,089)
Subtotal	(\$149,398,089)



Under Medicare Part D, the HealthSelect plan collected \$1.3 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' **Data Science & Analytics** team regularly monitors the financial performance of plans and identifies underlying causes when actual experience differs from expected results. The 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)

Express Scripts' Fraud, Waste & Abuse (FWA) Services department works to prevent, identify and reduce fraud, waste, and abuse of prescriptions drugs and the pharmacy benefit. Express Scripts audits, investigates, and collaborates with stakeholders to enhance compliance. **The Express Scripts Pharmacy Special Investigations Unit (SIU)** investigates allegations of fraud related to network pharmacies. In investigations of potential aberrant behavior related to the enrolled member and prescriber population, the SIU uses link analysis, trend analysis, outlier analysis, social analytics, geospatial analytics, and predictive modeling to monitor and identify suspect patterns of behavior and schemes.

The SIU investigates potential fraud, waste, and abuse in its pharmacy, member, and prescriber investigations using the following:

- Documentation review to ensure claims are processed appropriately.
- Outreach to the patient to confirm they received the medication that was billed, to the physician to confirm they wrote the given prescription and to the pharmacy's drug suppliers to ensuring that enough drugs were purchased to justify the submitted claims.
- On-site visits to the pharmacy to conduct a comprehensive review of claims, prescriptions, quality assurance documentation, and procedures. In addition, interviews may be conducted with pharmacy employees as part of the investigation.

Findings of a pattern of improper conduct can lead to a referral to the Medicare Drug Integrity Contractor and a recommendation of disciplinary action, which can include termination, by the Express Scripts Pharmacy Disciplinary Action Committee. ERS may take additional actions, including reporting to the MEDIC via the Health Plan Management System reporting tool.

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	FY24	86.1%
HealthSelect Prescription Drug Program (PDP)	Express Scripts, Inc.	CY24	88%
State of Texas Dental Choice PPO	Delta Dental	FY24	94%
Dental HMO	DeltaCare® USA	FY24	88%
State of Texas Vision	EyeMed Vision Care, LLC	FY24	93.9%
TexFlex	Inspira Financial	FY24	84%
Texas Income Protection Plan	Alight Solutions, LLC (formerly ReedGroup)	CY23	84.5%
HealthSelect MA PPO	UnitedHealthcare®	CY24	92%
HealthSelect Medicare Rx (EGWP)	Express Scripts, Inc.	CY24	92%

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

Performance reporting, FY24

About GBP contractual performance guarantees

- A performance guarantee (PG) is connected to a business-critical service function(s) required of a vendor from contract signing and continuing 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. ERS has an escalated review process as an additional measure to ensure the Executive Office approves the final enforcement of contractual performance issues. For example, waivers or settlements of any PG noncompliance assessment requires the escalated review process with the Executive Office approving the final action.

Performance reporting, FY24

Overall, FY24 GBP vendor contract compliance remains relatively high. For this reporting period:

- Three vendors had only minor or moderate issues.
- Two vendors reported a critical issue.
- Two vendors reported emergency issues.

CY23 GBP vendor contract compliance remains high. For this reporting period:

- One vendor met all contractual performance requirements.
- Three vendors reported only minor or moderate issues.

The next pages provide information about FY24 and CY23 GBP vendor performance results with PG assessments.

NOTE: For Calendar Year Plans: The last GBP report had CY22 reporting. We will be including CY23 reporting for calendar year plans for this report. The CY23 information was presented at the March 20, 2024 Board meeting.

The CY24 data will not be available until after the publishing of this report.

Performance reporting, FY24

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
2	Critical PGs	1 period of noncompliance (1 of 12 months)	Identification (ID) cards, initial 1 PG under review	100% monthly	97.57% 08/2024
4	Minor PGs	1 period of noncompliance (1 of 12 months)	Identification (ID) cards, reissue 1 PG under review	100% monthly	98.66% 08/2024

Performance reporting, FY24

UnitedHealthcare® Services Inc. (Optum Rx) administered the self-funded HealthSelect Prescription Drug Program (PDP) through Dec. 31, 2023.

Severity Level	PG Category	Performance Results	PG Assessments	PG Requirement	PG Actual
4	Minor PGs	4 occurrences of noncompliance (2 of 12 months)	Reporting requirements 4 PGs assessed	100% monthly	< 100% 09/2023 < 100% 12/2023

Performance reporting, FY24

Express Scripts Inc. (ESI) administers the self-funded HealthSelect Prescription Drug Program with a Service Period beginning Jan. 1, 2024.

Severity Level	PG Category	Performance Results	PG Assessments	PG Requirement	PG Actual
3	Moderate PGs	3 periods of noncompliance (3 of 12 months)	Accurate Claims Processing 3 PGs under review	≥99.00% monthly	97.49% 01/2024 97.38% 02/2024 97.59% 03/2024
4	Minor PGs	5 periods of noncompliance (5 of 12 months)	Communication Materials 9 PGs assessed	100% monthly	<100% 02/2024 <100% 03/2024 <100% 05/2024 <100% 06/2024 <100% 07/2024

Performance reporting, FY24

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

Severity Level	PG Category	Performance Results	PG Assessments	PG Requirement	PG Actual
4	Minor PGs	1 occurrence of noncompliance (1 of 4 months)	Annual enrollment attendance 1 PG assessed	100% monthly	< 100% 11/2023

Performance reporting, FY24

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 (FY24)	Provider turnover rate 1 PG assessed	≤10.00% turnover rate, fiscal year	>10.00% FY24
3	Moderate PGs	1 period of noncompliance (1 of 4 quarters)	Written correspondence rate 4 PGs assessed	100% fiscal quarter	< 100% 3Q 2024
4	Minor PGs	1 occurrence of noncompliance (1 of 4 months)	Annual enrollment attendance 1 PG assessed	100% monthly	< 100% 11/2023

Performance reporting, FY24

EyeMed Vision Care, LLC administers the self-funded State of Texas VisionSM plan.

Severity Level	PG Category	Performance Results	PG Assessments	PG Requirement	PG Actual
1	Emergency PGs	2 occurrences of noncompliance (1 of 12 months)	Load and process files 1 PG assessed	100% monthly	<100% 12/2024
4	Minor PGs	1 occurrence of noncompliance (1 of 4 months)	Annual enrollment attendance 1 PG assessed	100% monthly	<100% 07/2024

Performance reporting, FY24

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	3 periods of noncompliance (3 of 12 months)	Timely claims processing 3 PGs assessed	100% within 30 days	99.65% 02/2024	99.44% 06/2024 99.75% 07/2024

Performance reporting, FY24

Inspira Financial administers the TexFlex flexible spending program.

Severity Level	PG Category	Performance Results	PG Assessments	PG Requirement	PG Actual
1	Emergency PGs	1 occurrence of noncompliance (1 of 12 months)	Load and Process Files 1 PG under review	100% monthly	<100% 06/2024
3	Moderate PGs	2 periods of noncompliance (2 of 12 months)	Accurate claims processing 1 PGs assessed 1 PG under review	>99% monthly	98.76% 09/2023 98.39% 07/2024
		2 occurrences of noncompliance (1 of 12 months)	Plan-specific reporting 2 PGs under review	100% monthly	<100% 06/2024
4	Minor PGs	1 period of noncompliance (1 of 12 months)	Debit card mail out rate 1 PG assessed	100% monthly	94.67% 12/2023
		1 occurrence of noncompliance (2 of 4 quarters)	Call answer service level 2 PGs assessed	80.00% within 30 seconds	68.03% 2Q 2024 71.22% 3Q 2024

Performance reporting, CY23

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

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% monthly	98.51% 07/2023

Performance reporting, CY23

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

UnitedHealthcare Services Inc. met all of the HealthSelect Medicare Rx Calendar Year 2023 contractual performance standards.

Performance reporting, CY23

Alight Solutions LLC (formerly 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	3 periods of noncompliance (3 of 4 quarters)	Accurate claims processing, STD 1 PG assessed	99.00% monthly	98.33% 1Q 2023
			Accurate claims processing, LTD 1 PG assessed	99.00% monthly	98.88% 2Q 2023
			Claims determination, LTD 1 PG assessed	98.00% monthly	96.67% 4Q 2023
4	Minor PGs	2 periods of noncompliance (2 of 4 quarters)	Calls answered rate 2 PGs assessed	80.00% within 30 seconds	72.30% 1Q 2023 71.00% 2Q 2023
		1 period of noncompliance (CY2023)	Participant satisfaction rate 1 PG assessed	> 85.00% annually	84.50% CY2023

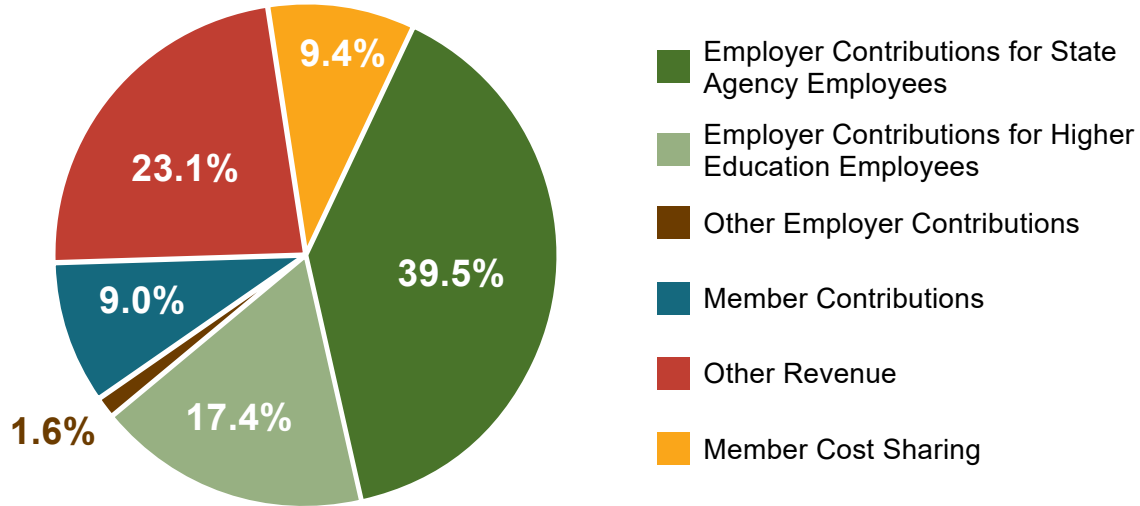
Appendix



Financial tables
Legislative update
Looking ahead to FY25

Who pays for GBP health care benefits?

Fiscal Year 2024



GBP FY24 costs by health plan

Costs shown below reflect FY24 incurred claims, net of rebates and subsidies. The Cost Containment section of this report includes amounts based on FY24 paid claims, some of which were incurred prior to FY24.

	Medical Cost	Pharmacy Cost	Administrative Cost	Total
HealthSelect self-funded plans*	\$2,569,151,247	\$684,186,188	\$61,532,683	\$3,314,870,118
Medicare Advantage PPO – UnitedHealthcare®	\$51,449,515	\$169,807,285	\$10,976,485	\$232,233,286
Total for all GBP Health Plans	\$2,620,600,762	\$853,993,473	\$72,509,169	\$3,547,103,404

*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, FY24

Optional Program	FY24 Administrative Costs
TexFlex	\$915,611
State of Texas Dental Choice	\$4,456,465
DeltaCare® USA DHMO	\$1,377,232
State of Texas Vision	\$391,522
Life insurance plans (all)	\$2,640,947
Texas Income Protection Plan (disability insurance)	\$5,645,157

Projected annual average health care cost trend for FY25-27

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)	2.0%	7.1%	2.2%	11.3%
Total	2.2%	4.4%	0.9%	7.5%

GBP health plans financial status

Summary of Actual and Projected Health Plans Experience (through December 2024) Assuming No Increases in Per Capita Funding for FY26 - FY31 \$Millions

	FY23	FY24 estimated	FY25	FY26	FY27	FY28	FY29	FY30	FY31
	Projected								
Revenue									
State Contributions	\$1,992.3	\$2,052.3	\$2,088.4	\$2,121.7	\$2,155.7	\$2,190.5	\$2,226.1	\$2,262.5	\$2,299.8
State Contributions - Higher Ed	\$898.0	\$903.5	\$913.5	\$928.0	\$942.9	\$958.1	\$973.7	\$989.6	\$1,005.9
State Contributions - Other	\$78.7	\$81.1	\$83.1	\$84.4	\$85.7	\$87.1	\$88.5	\$90.0	\$91.5
State Contributions - Total	\$2,969.0	\$3,036.9	\$3,085.0	\$3,134.1	\$3,184.3	\$3,235.7	\$3,288.3	\$3,342.1	\$3,397.2
Member Contributions	\$463.7	\$468.0	\$469.6	\$467.5	\$465.5	\$463.6	\$461.7	\$459.9	\$458.1
Other Revenue	\$932.2	\$1,200.8	\$1,228.5	\$1,350.5	\$1,461.6	\$1,567.4	\$1,666.0	\$1,762.9	\$1,857.6
Total Revenue	\$4,364.9	\$4,705.7	\$4,783.1	\$4,952.1	\$5,111.4	\$5,266.7	\$5,416.0	\$5,564.9	\$5,712.9
Health Care Expenditures	\$4,055.5	\$4,594.9	\$5,026.1	\$5,540.7	\$6,065.2	\$6,628.5	\$7,235.4	\$7,903.7	\$8,640.3
Net Gain (Loss)	\$309.4	\$110.8	(\$243.0)	(\$588.6)	(\$953.8)	(\$1,361.8)	(\$1,819.4)	(\$2,338.8)	(\$2,927.4)
Fund Balance	\$3,601.5	\$3,712.3	\$3,469.3	\$2,880.7	\$1,926.9	\$565.1	(\$1,254.3)	(\$3,593.1)	(\$6,520.5)
Other Expenses Incurred Outside of the GBP Fund									
Member Cost Sharing	\$471.7	\$487.9	\$495.6	\$503.5	\$511.6	\$519.8	\$528.3	\$536.9	\$545.8

*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.

Updates from the 88th legislative session

Texas Pharmaceutical Initiative

HB 4990 passed in the 88th legislative session and created the Texas Pharmaceutical Initiative (TPI). The goal of the Initiative is to provide greater, and more cost-effective access to prescription drugs and essential medical supplies to employees, dependents, and retirees of the state's health plans.

In September the board of the TPI approved a business plan which identified initiatives for prioritization in FY25-FY27 which range from documentation of best practices for soliciting and contracting with PBMs, harmonizing PBM formularies, contracting with manufacturers directly in innovative or value-based models, partnering with manufacturers and/or non-profit organizations to secure access to priority prescription drugs and improving surveillance of drug shortages. ERS serves on the TPI advisory board and will work with the board and staff for the next several months to determine the impact of these initiatives.

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 sharing and analyzing health care cost data among state-funded programs. The most recent report can be found on the HHSC website [here](#).

Looking ahead to the 89th legislative session

ERS Legislative Appropriations Request

The ERS GBP has been in a strong financial position with gains over the last several years. However, current projections estimate that the GBP will begin generating losses in Plan Year 2025 (PY25) as overall costs continue to rise. The actuaries predict a loss of \$243 million for PY25 with that amount growing each year there is not a contribution rate increase.

For the first time since the 2017 legislative session, ERS requested an increase in the legislative appropriation request for the GBP for the 89th legislative session. The request is for an exceptional item of \$521 million for the FY26-27 biennium, which corresponds to an 8% annual increase in the contribution rates. Since the state funds insurance costs through a shared premium contribution rate strategy, an 8% increase, if appropriated, would also raise the cost for members covering dependents by 8% in FY26 and FY27.

An 8% annual increase allows for a smooth spend-down of the contingency reserve fund balance and reduces the risk of a very large rate increase or benefit reduction in the future. This is currently projected to maintain the fund balance at the statutory required 60 days through FY31.

The following page shows projections of the health plan experience assuming an annual 8% increase in premium contribution funding for fiscal years 2026 through 2031.

Looking ahead to the 89th legislative session (continued)

**Summary of Actual and Projected Health Plans Experience (through September 2024)
Assuming 8% Annual Increases in Per Capital Funding for FY26-31
\$Millions**

	FY23	FY24 estimated	FY25	FY26	FY27	FY28	FY29	FY30	FY31
			Projected						
Revenue									
State Contributions	\$1,992.3	\$2,052.3	\$2,088.4	\$2,291.2	\$2,513.9	\$2,758.6	\$3,027.5	\$3,322.8	\$3,647.5
State Contributions - Higher Ed	\$898.0	\$903.5	\$913.5	\$1,002.2	\$1,099.6	\$1,206.6	\$1,324.2	\$1,453.4	\$1,595.4
State Contributions - Other	\$78.7	\$81.1	\$83.1	\$91.1	\$100.0	\$109.7	\$120.4	\$132.2	\$145.1
State Contributions - Total	\$2,969.0	\$3,036.9	\$3,085.0	\$3,384.5	\$3,713.5	\$4,074.9	\$4,472.1	\$4,908.4	\$5,388.0
Member Contributions	\$463.7	\$468.0	\$469.6	\$504.9	\$542.9	\$583.8	\$627.9	\$675.4	\$726.5
Other Revenue	\$932.2	\$1,200.8	\$1,228.5	\$1,335.6	\$1,462.2	\$1,595.9	\$1,736.5	\$1,891.4	\$2,062.1
Total Revenue	\$4,364.9	\$4,705.7	\$4,783.1	\$5,225.0	\$5,718.6	\$6,254.6	\$6,836.5	\$7,475.2	\$8,176.6
Health Care Expenditures	\$4,055.5	\$4,594.9	\$5,026.1	\$5,540.7	\$6,065.2	\$6,628.5	\$7,235.4	\$7,903.7	\$8,640.3
Net Gain (Loss)	\$309.4	\$110.8	(\$243.0)	(\$315.7)	(\$346.6)	(\$373.9)	(\$398.9)	(\$428.5)	(\$463.7)
Fund Balance	\$3,601.5	\$3,712.3	\$3,469.3	\$3,153.6	\$2,807.0	\$2,433.1	\$2,034.2	\$1,605.7	\$1,142.0
Other Expenses Incurred Outside of the GBP Fund									
Member Cost Sharing	\$471.7	\$487.9	\$495.6	\$503.5	\$511.6	\$519.8	\$528.3	\$536.9	\$545.8

Endnote for page 58:

The chart in the previous year's report (FY23) was inclusive only of Virtual Visit claims that appeared in the top 10 most common ICD-10 diagnosis codes. The FY24 chart represents all Virtual Visits that fall into the top four diagnosis categories, capturing a broad range of ICD-10 diagnosis codes.