



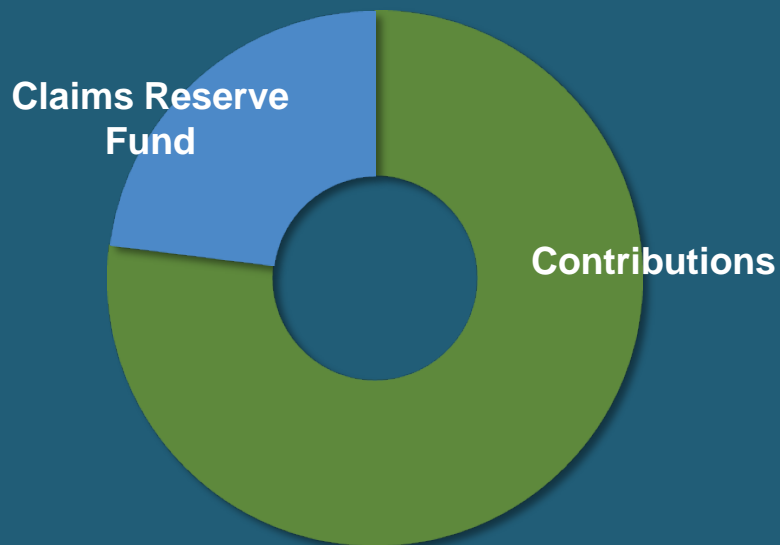
Welcome to *Staying Connected 2010*

**Ann S. Fuelberg
Executive Director**

April 30, 2010

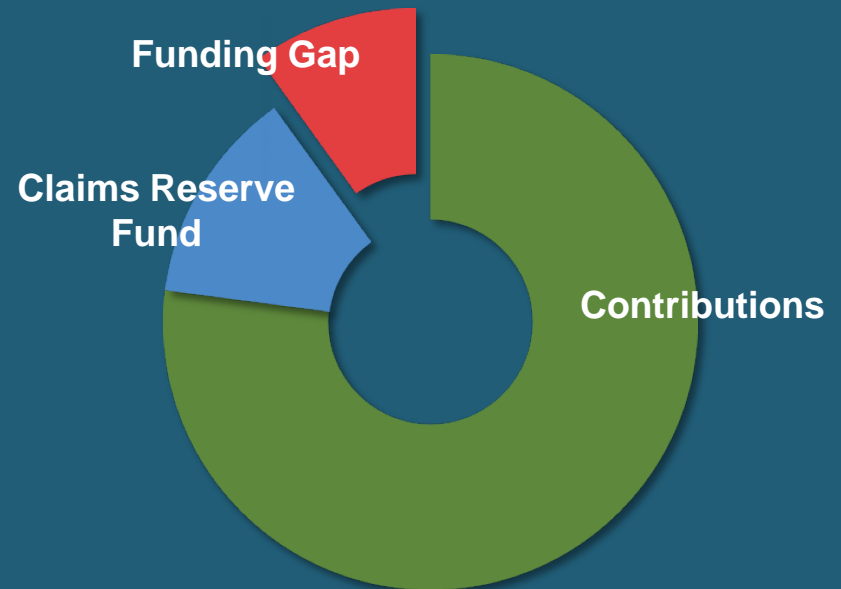
Projected Last Year: FY2011 Potential funding gap

Plan Year 2010
8.37% projected health care cost increase



- Contributions will pay 6.5% of the increase
- Reserve fund will pay 1.87% of increased cost

Plan Year 2011
8.37% projected health care cost increase



- Contributions will pay 6.8% of the increase
- Smaller reserve fund cannot cover increased cost
- Potential funding gap

Texas Employees Group Benefits Program

Recap of financial status through March 31, 2010



- The GBP faces a \$140.4 million, shortfall based on current:
 - plan design
 - funding level
 - plan benefit cost trend
- State is increasing premium contributions in FY 2011 per the Appropriations Act
 - State will cover full cost of increase for the 58% of employees and retirees who do not have dependents

Texas Employees Group Benefits Program

Experience through March 31, 2010

- The plan's benefit cost trend has leveled off at 9%

Plan Benefit Cost Trend – through March 2010

Category	Utilization Trend	Cost/Unit Trend	MCS Leverage	Plan Cost Trend	% of Total Plan Costs
Hospital	2.5%	7.0%	1.0%	10.5%	45.5%
Other Medical Expense	2.5%	3.0%	0.5%	6.0%	32.2%
Pharmacy	3.2%	3.7%	3.6%	10.5%	22.3%
Total	2.7%	5.0%	1.4%	9.1%	100.0%

Survey Response Exceeds Expectations

- More than 45,000 completed surveys
- Represents a 26 percent response rate

Gender breakdown:

- 41% male
- 50% female

Age breakdown:

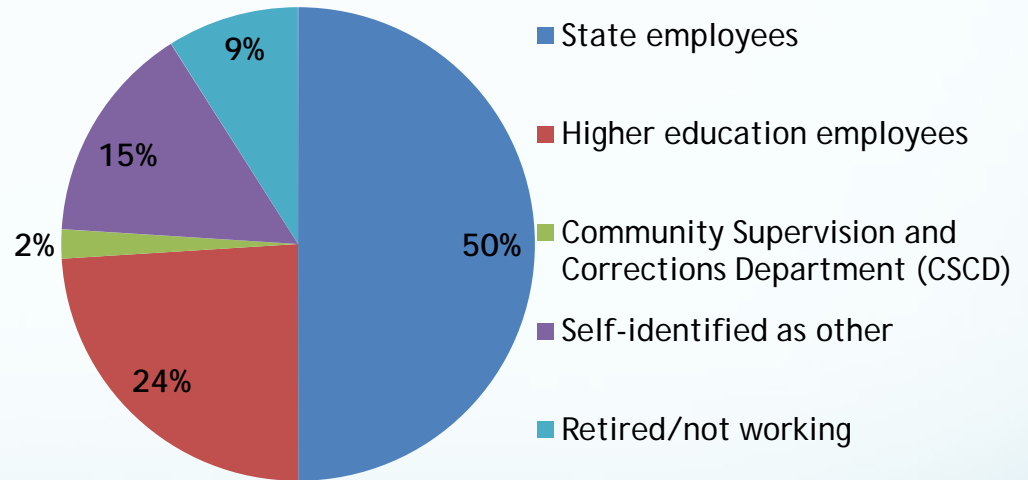
- 12% age 35 or younger
- 29% 36-50
- 43% 51-64
- 16% 65+

Years in plan:

- 38% less than 10
- 16% 10-14 years
- 14% 15-19 years
- 32% 20+ years

• **29% have family members with access to other coverage**

Demographics of Survey Participants

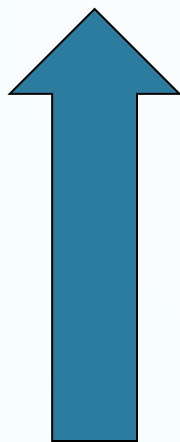


Three focus group discussions included 41 participants

- In-depth discussions designed to gather data that is not statistically applicable, but useful in understanding perceptions.

Survey Findings at a High Level

Small increases in fees, slightly increased copays, and changes based on years of service are acceptable



Will pay a little more for
Primary and specialty care
Hospital, ER, and doctor
For all prescriptions

Will agree to
Pay some of the premium
Adding a copay for high-tech radiology
Adding a copay to avoid deductible or deductible increase

Are willing to
Base retiree insurance contribution on years of service
Have a tiered network for specialists, labs, and prescriptions
Charge higher fees to people who don't use disease management programs or alternate generics when available, smokers, and dependents who have access to another policy



Do not want to pay a lot more for
Specialty care
Hospitalization and emergency rooms
Brand name drugs

Rather than to
Pay more than 50% for dependents
Base employee out-of-pocket health insurance premium on years of employment – fewer years, higher cost
Pay an additional fee for high-tech radiology procedures that are not pre-approved
Pay a higher deductible to keep a lower copay

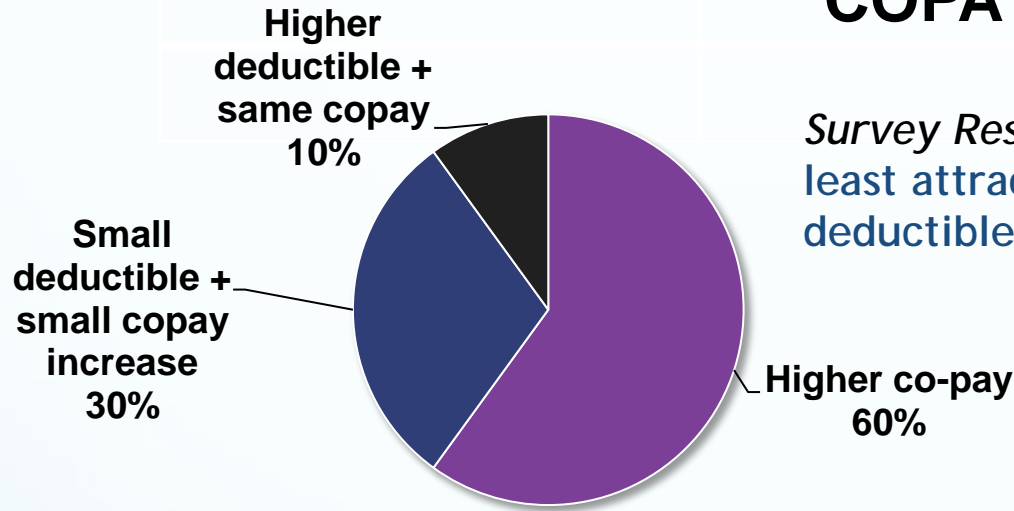
Are less willing to
Increase the required years of service from 10 to 20 to qualify for retiree insurance
Require retirees younger than 65 to pay more until they reach 65
Allot eligible retirees a set amount each month that can be used to buy insurance
Use a smaller hospital network

Texas Employees Group Benefits Program

Recommended plan cost changes for FY 2011

COPAYS

Survey Results: Higher copays are acceptable; the least attractive option is adding a medical deductible



CURRENT

Office Visits

Health Select \$20/\$30
HMOs \$30/\$40

**+ \$5 for PCP
+ \$10 for Specialists**

RECOMMENDATION

Office Visits

Health Select \$25/\$40
HMOs \$25/\$40

Texas Employees Group Benefits Program

Recommended plan cost changes for FY 2011

COPAYS

CURRENT		
In-Patient \$100 a day (\$500 max)	+ \$50	In-Patient \$150 a day (\$750 max)
Out-Patient \$100 a day		Out-Patient NO CHANGE
Emergency room \$100	+ \$50	Emergency room \$150
Prescription Drugs \$10/\$25/\$40	+ \$ 5, Generics + \$10, Name brand + \$20, Non-preferred	Prescription Drugs \$15/\$35/\$60

Texas Employees Group Benefits Program

Recommended plan cost changes for FY 2011

20% CO-INSURANCE

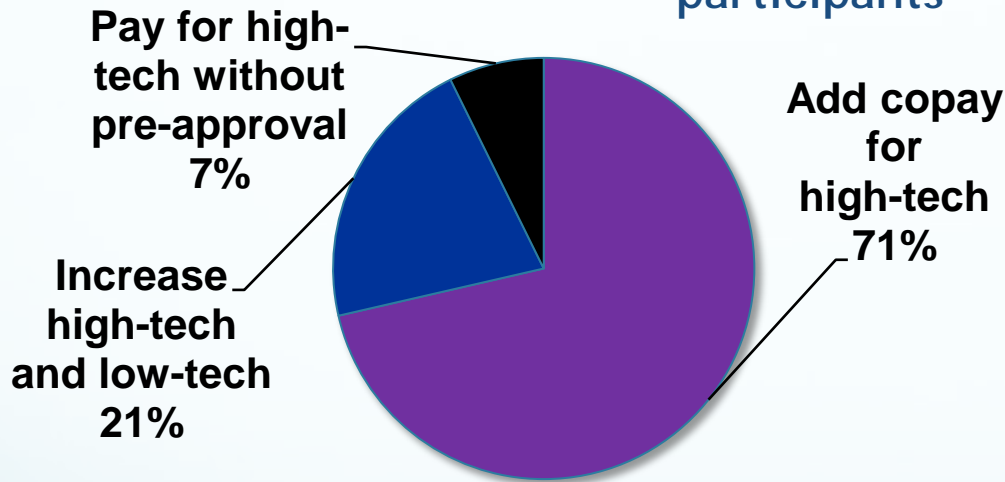
Annual Maximum Amount Paid By Participant

CURRENT		RECOMMENDATION
In-Network \$1,000	+ \$1,000	In-Network \$2,000
Out-of-Network \$3,000	+ \$4,000	Out-of-Network \$7,000
Out-of-Area \$1,000	+ \$2,000	Out-of-Area \$3,000

Texas Employees Group Benefits Program

Recommended plan cost changes for FY 2011

Survey Results: Adding a copay for high-tech radiology services is acceptable to survey participants



NEW TO THE PLAN

- Radiology (CT scan, MRI, Nuclear Medicine) – \$100 Copay

Texas Employees Group Benefits Program

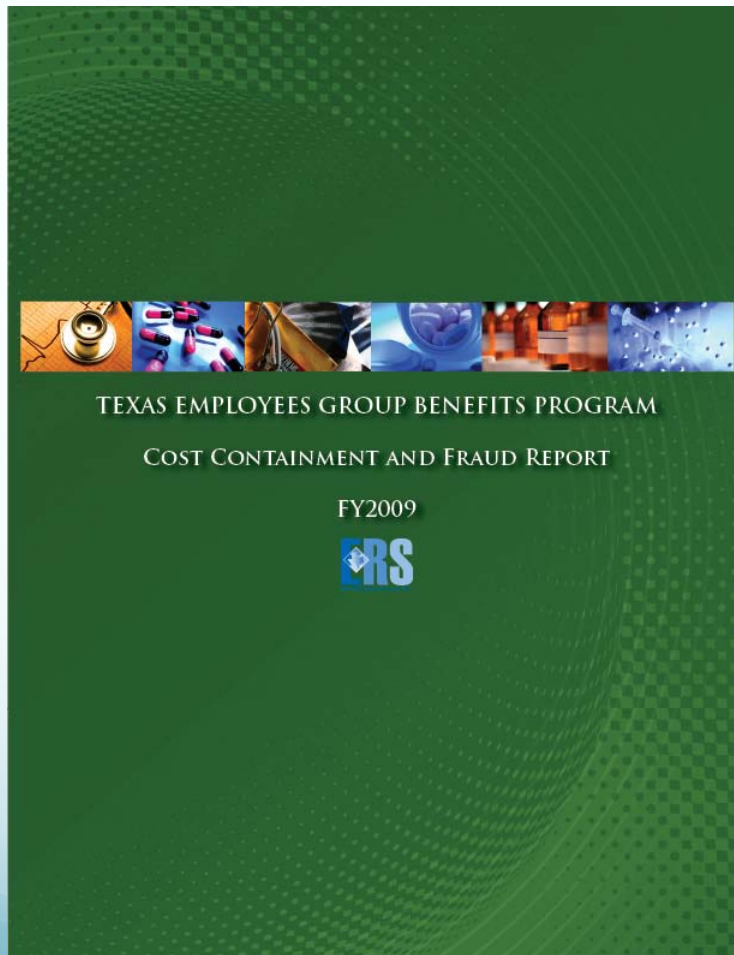
Recommended plan cost changes for FY 2011

NEW TO THE PLAN

- Limit annual visits and lower allowable charges for chiropractic care
- Urgent care facilities benefit - \$50 copay
- Ability to buy more than 30-day supply of maintenance drugs at participating retail pharmacies with no retail maintenance fees (*currently soliciting pharmacies*)

Texas Employees Group Benefits Program

Summary Review of Cost Containment

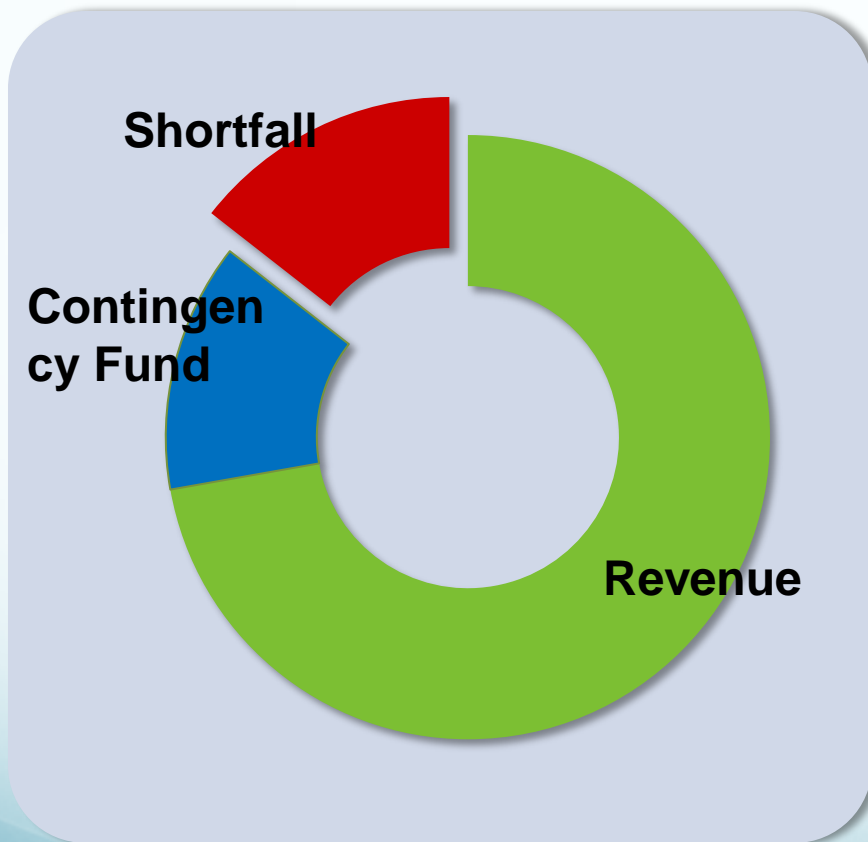


- Contracting discounts reduced billings by \$2.7 billion in FY09
- Pharmacy contract on track to reduce costs by \$288 million over 4 years
- Average Wholesale Price (AWP) change to reduce costs \$32 million through FY11
- Dependent definition clarified and audit scheduled for fall could reduce costs up to \$15 million Federal Health Care Reform
- Alternative provider payment programs share savings based on targeted outcomes and efficiencies

ERS reports annually on cost containment

Texas Employees Group Benefits Program

Next biennium starts with larger insurance shortfall

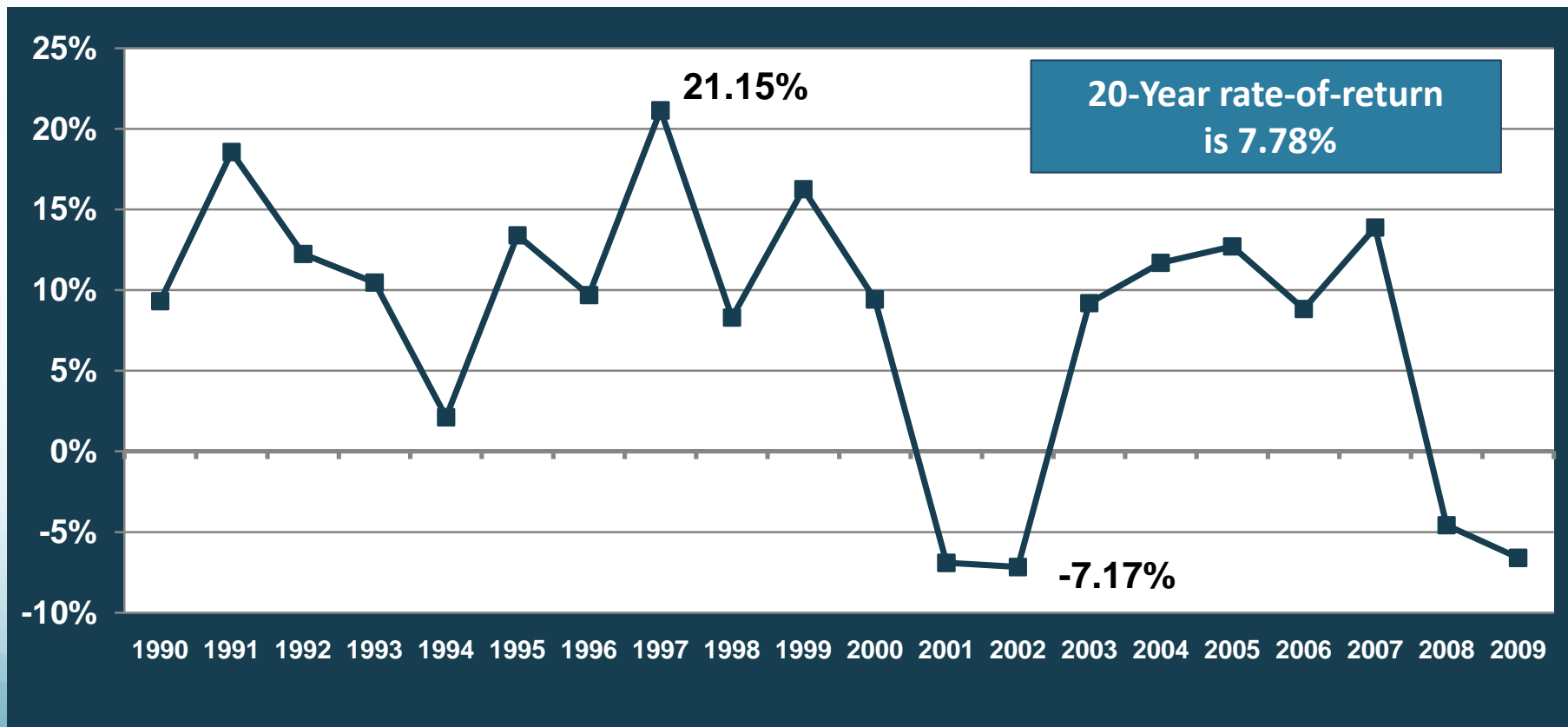


- Contingency funds will not be available for ERS to finance healthcare expenses in FY 2012-2013
- GBP LAR request for FY 2012-13 will include:
 - Baseline as defined by LBB
 - Exceptional Items
 - Cost increases
 - Contingency fund

Investments

ERS Investments Update

	FY 2009	12 Month Period Ending March 31, 2010	FY to Date
Investment Return	- 6.60 %	34.92%	9.68%



ERS Reminders

- **Eligibility audit – review your dependents during Annual Enrollment**
- **New rule will allow you to drop yourself or your dependent and return to plan with a life event**



Annual Enrollment

www.ers.state.tx.us

ERS extends lobby and contact center hours from July 5-30



Questions?

Thank You