

Improving the Affordability and Quality of Teacher Health Care

Key Points:

- In recent years, to address rising health care costs, Texas has varied among raising the teachers' share of premiums, cutting benefits, and allocating more state funds to the issue.
- An additional option – reforming plan benefit design to align prices with value – could help stem rising costs, improve the value teachers receive from their health benefits, and help them stretch their paychecks further, while aiding districts with recruitment and retention.
- Texas has taken a leading role in health care price transparency laws – but to harness the full opportunity of these laws and implement innovative health plan design, TRS must receive clear legislative direction *and support*.

Background:

Health care costs have been rising nationwide at an unsustainable rate. Prior legislative strategies to address these increases for the plans run by TRS have largely focused on one of three options:

- Increasing teacher premiums;
- Decreasing teacher benefits; or
- Increasing state funding contributions.

For example, last session, the legislature appropriated an additional \$286 Million of Federal funds on top of the standard state contribution. Then, in April an additional \$435 million in CRF needed to be allocated to TRS in order to maintain an average 0% premium increase.

These unpopular stop-gap measures may not be necessary if the state were willing to commit to addressing the underlying structural problems contributing to unsustainable price increases.

Recently passed price transparency laws are providing states with more data than ever on just how much they're overpaying for care.

Other states have begun employing innovative benefit design strategies to drastically reduce the prices they pay. These strategies involve exerting greater control over the way their benefit plans are designed, and over the way that health care services are contracted for.

While these options have changed plan benefit design in ways that have substantially reduced costs (without cutting benefits!) in other states, to be effective, TRS must receive clear direction *and backing* from the legislature, achievable in part through the budget process.

Proposed Action:

The base budget should include studies that:

- Compare TRS contracted rates against other commercially available rates, utilizing newly available price transparency files to evaluate how TRS' vendor compares to other large employers in the state.
- Require UT Health to conduct analyses, using TRS claims data acquired from the APCD and other means, on the potential value that could be obtained by shifting site of care to higher-value providers.

Appropriators should consider riders that give clear direction to TRS should begin evaluating -- and reporting to the legislature on the savings and benefits of each -- the potential of benefit design changes using strategies being used by other states, such as:

- Reference-based pricing (Montana, California)
- Effective use of shared savings incentives already required by budget rider, but currently implemented in a suboptimal fashion (Kentucky, Maine)
- Prohibiting the payment of improper facility fees;
- Tiered network plans (Minnesota, Massachusetts)

Appropriators should also consider a rider to require TRS, in their next contracting process, to prohibit harmful and cost-increasing practices such as:

- Anti-competitive clauses that limit the ability of the plan to tier and steer their enrollees to high-value providers, and/or develop networks of only high-value providers.
- Billing of improper facility fees, such as for telehealth visits.

Public Policy Impact:

The sorts of benefit design changes contemplated would reign in the prices paid to more reasonable levels. While we don't yet have data specific to TRS, a RAND study shows that Texas employers are generally paying health care services prices over 2.5 times the Medicare rate.

We remain in the early days of the transparency revolution, so precise estimates of budgetary savings would be premature at this stage. However, we know that the current growth in the rate of health care prices is unsustainable if Texas teachers are to continue to have access to affordable, high quality care.

In addition to the broad, collective cost reductions that are possible, some types of benefit designs may provide a more immediate, concrete benefit to enrollees. For example, effectively implemented shared-savings programs could provide cash to patients who shop for value, helping to directly offset monthly premium costs.

Implemented properly, benefit design changes could make it easier to attract and retain teachers without having to spend more money to do so, while also helping teachers stretch their paychecks further when they participate in finding high-value care.