

Improving the Affordability and Quality of State Employee Health Care

Key Points:

- While concerns over premium increases in TRS ActiveCare plans have captured political attention, total per-capita cost increases in ERS-run health plans have matched, or possibly even exceeded those in TRS.
- There are policy options available to ERS to redesign benefit plans in a way that reduce costs without cutting benefits by aligning incentives between the plan and the employees.
- 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, ERS must receive clear legislative direction *and support* to execute on these design options.

Background:

Health care costs have been rising nationwide at an unsustainable rate. 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, ERS 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:

- Include an informational rider that aggregates and reports in one area the total amount of ERS spending on health benefit plan costs across all agencies for simplified assessment and reporting. (Currently such spending is reported agency-by-agency, making holistic assessments more difficult).
- Compare ERS contracted rates against other commercially available rates, utilizing newly available price transparency files to evaluate how ERS' vendor compares to other large employers in the state.
- Require UT Health to conduct analyses, using ERS 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 ERS 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 (as Medicare recently did);

- Tiered network plans (Minnesota, Massachusetts)

Appropriators should also consider a rider to require ERS, 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 ERS, 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 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 out of pocket costs.

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