

Sustainability of the Texas Employees Group Benefits Program (GBP)

The 82nd Texas Legislature directed ERS to study and report on the State of Texas health insurance program. The report is the result of a year-long research process designed to be transparent and inclusive to all stakeholders with an interest in the future of the state employees insurance plan.

The report analyzes 37 options to improve the sustainability of the GBP for the Legislature's consideration. It compares state health insurance benefits to other large public and private sector employer benefit plans. These are the report findings.

Health insurance benefits are key to attracting and retaining qualified employees.

- Benchmarking analysis shows as a whole the HealthSelect out-of-pocket cost to members is comparable to the typical private sector health plan.
- However, the 100% employer-paid premium for employee-only and retiree-only coverage is outside of the norm.
- On the other hand, employees and retirees who want to cover their families pay more than the typical private sector plan member.
- Employers say that health insurance benefits help offset lower salaries in attracting and retaining employees.

We all share responsibility for the sustainability of the plan.

- ERS, the Legislature, employees, retirees, covered family members, health care providers, employers, and taxpayers – we all have a role to play in ensuring that high-quality, comparable benefits are available to the state workforce.

A sustainable plan would have predictable rate increases.

- Rate increases would occur at a predictable, controlled level, providing the State a reliable way to budget for the plan.
- Adequate revenue would allow the GBP to avoid routine reliance on the contingency fund as a substitute for contribution revenue.
- Plan design changes would occur on a predictable basis, allowing GBP members the ability to plan and budget for cost shifts and out-of-pocket increases.

A flexible approach that offers choice and financial incentives will facilitate behavior change.

- When the State pays 100% for member-only coverage, members have no incentive to choose anything but the most generous benefit.
- Choice costs money and adds risk. When multiple plan choices are offered, the risk of adverse selection comes into play.
- A flexible contribution strategy could support allocating some GBP funds toward wellness and other cost-savings initiatives.

There's a difference between cost management and cost shifting.

- Sharing costs can encourage members to make more responsible choices, but excessive cost sharing can discourage them from getting necessary care.
- Reducing health care claims is the only way to reduce the contributions needed to run the plan.
- Employers fear the aftermath of a significant benefit cut.
- Many low-wage state employees do not take family coverage because they can't afford it.

ERS provides quality benefits at a lower-than-average cost.

- Professional cost management programs lowered plan charges by \$7.3 billion in FY11.
- GBP costs are much lower than the national average for other employer-sponsored plans.
- ERS spends 97 cents of every HealthSelect dollar on health care claims.
- ERS is already implementing industry best practices and study recommendations.

A long-term view is essential.

- Many of the options with the greatest potential for managing costs will not show immediate savings.
- Long-term solutions, such as wellness incentives, require upfront investments, rigorous ongoing management, and time to deliver results.
- Designing systems that share risk with providers and increase member responsibility all take time.
- Lasting change depends upon individual members taking an increased role in managing their health outcomes and changing unhealthy behavior.

For a copy of the full report, please visit our website

www.ers.state.tx.us