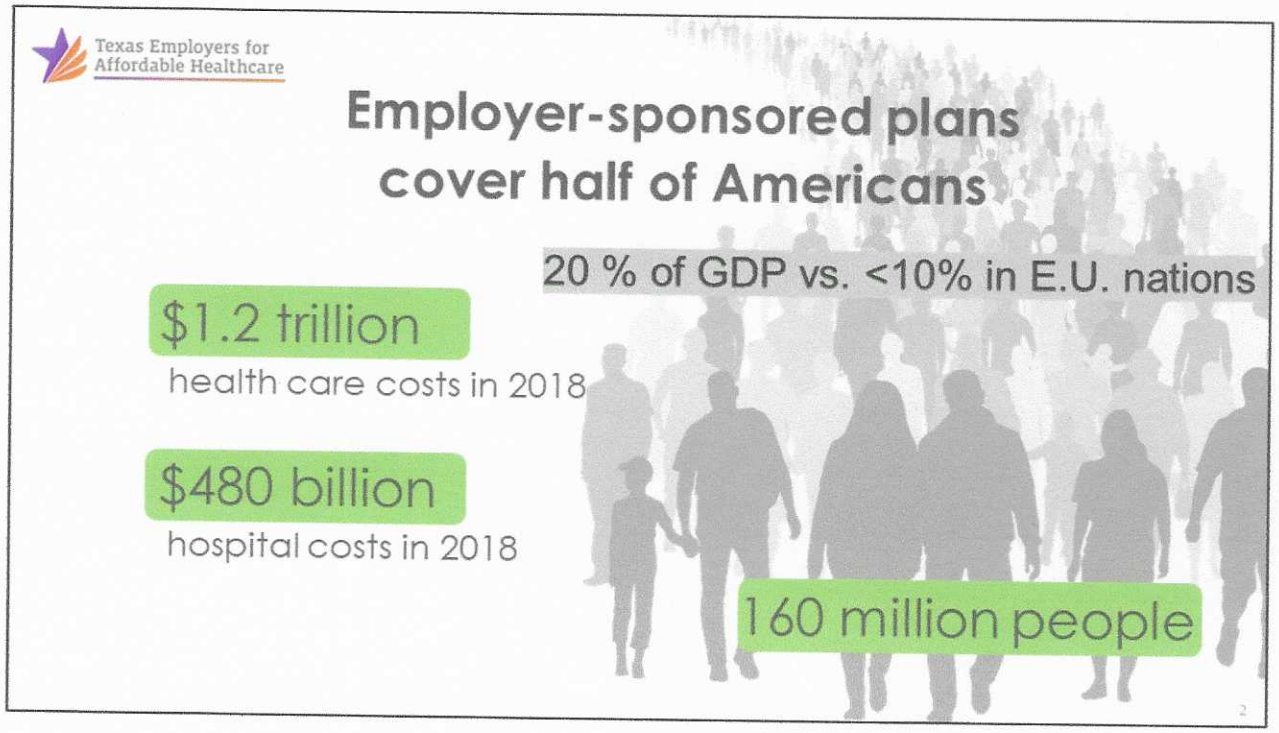
Texas Employers for Affordable Healthcare

Impact on Employers & Employees

Chris Skisak, PhD
HBCH & TEAHC

- Received Masters & Doctorate from the UTSPH.
- Worked 25 years in the private sector for energy companies in health management positions.
- Executive Director of HBCH, a 501(c)(3) since 2014. A multi-stakeholder but employer-centric organization. Represent 1.1 million employer-sponsored lives in Texas. Mission to improve the cost, quality and consumer experience in healthcare delivery.
- Speaking today on behalf on TXEAHC, a newly formed 501(c)(4).
- Serve on the Board of Governors for the National Alliance of Healthcare Purchaser Coalitions, representing 45 coalitions and more than 60 million employer sponsored lives.
- A national issue and is being addressed in every state. Texas has an opportunity to be a national leader.



- Employers provide health benefits for half of the US. The other half provided by Medicare, Medicaid, and other insurance plans (VA, SCHIP), and cash. Employers by far contribute the largest single source of revenue to support U.S. healthcare delivery.
- U.S. spends more than double any other developed country with poorer population health outcomes such as lifespan, infant mortality, disease burden, hospital admissions for chronic diseases
- The U.S. is a world leader when it comes to healthcare innovation, but it may come at the expense of overall population health if equitable funding for hospital services is not addressed.

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Employer-Provided Coverage Is Critical for Texans

- 50% of all Texas residents covered by employer-provided health coverage
- 75% of employees consider health benefits in decision to accept a job
- Largest tax break for employers, valued at over $329 billion nationally, lowers cost of premiums by 32% for employers
- Small businesses are dropping health coverage over time
- Small businesses rank cost of healthcare biggest problem since 1986
- Texas employers are forced to make tough choices

- Retention and recruitment often cited as a key reason to offer a "rich" health plan.
- "Rich" health plans are creating financial debt and poor health outcomes.
- A new R&R goal should be to offer the highest quality health care at the lowest possible price, leaving more financial resources for other needs such as wage growth.
- A small business must pay the same price for health services as a jumbo employer with more resources. This leads to dropping coverage, more ER utilization, greater number of uninsured and those applying for Medicaid.

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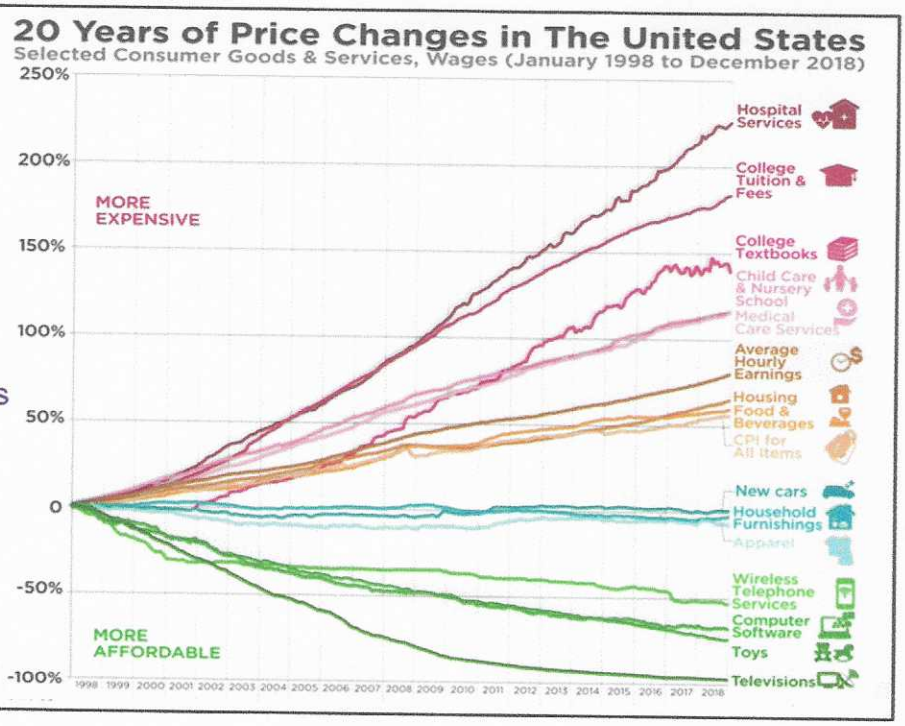
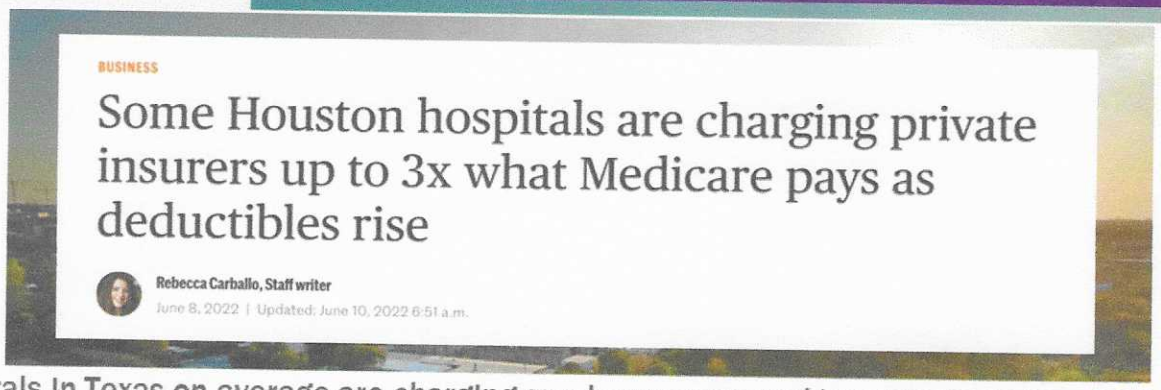
Impacts

- Business Growth
- Quality of Life
- Community Resources



- A 250% increase in the price of hospital services over 20-years has had negative consequence on business growth, family qualify of life and available resources for other critical social needs.
- Especially true for small and mid-sized employers and their employee's families, and public employers such as city, state, county government and public schools, and the underserved.

HBCH
Houston Business Coalition on Health



BUSINESS

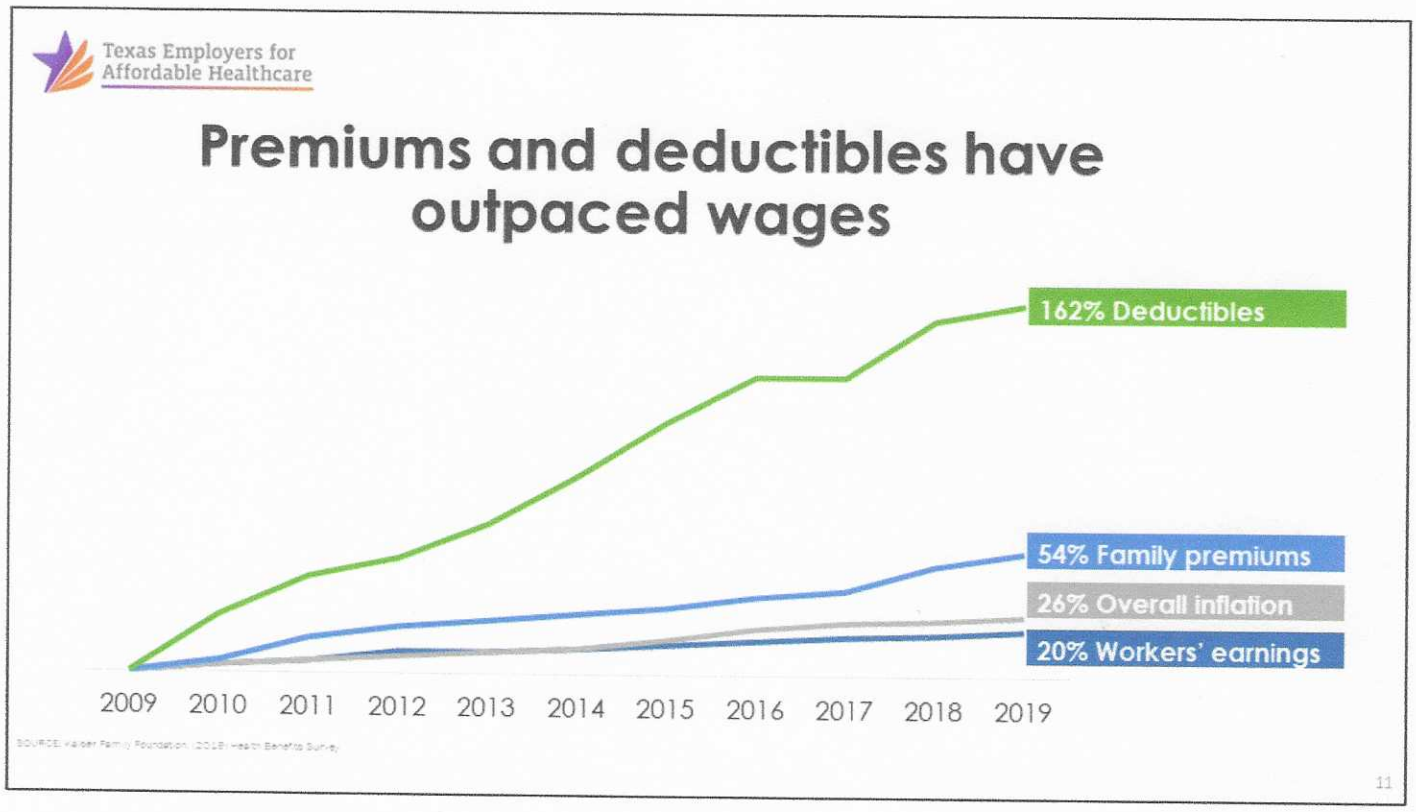
Some Houston hospitals are charging private insurers up to 3x what Medicare pays as deductibles rise

Rebecca Carballo, Staff writer
June 8, 2022 | Updated: June 10, 2022 6:51 a.m.

Hospitals in Texas on average are charging employer-sponsored insurers more than triple the amount that Medicare would pay, raising health care costs for companies and their workers, according to a new analysis.

Houston Methodist, Memorial Hermann, and HCA Houston Healthcare Clear Lake — are billing insurers far more than what they need to break even — in fact double.

- HBCH released the Houston results of RAND 4.0 and NASHP on June 8.
- Received widespread local and national media attention.
- Texas average is 252% of Medicare based on 278 hospitals. Among 39 health systems with data, 7 are greater than 300%, 21 are greater than 200% and11 are less than 200%. At the individual hospital level the range is 820% to 49%



- Employers had been satisfied with health premiums staying within trend of the peers.
- The consequence of staying within trend was higher premiums and the beginning of HDHPs.
- The literature supports that HDHP's have negatively impacted family finances and health outcomes.
- Wage growth has been severely impacted.

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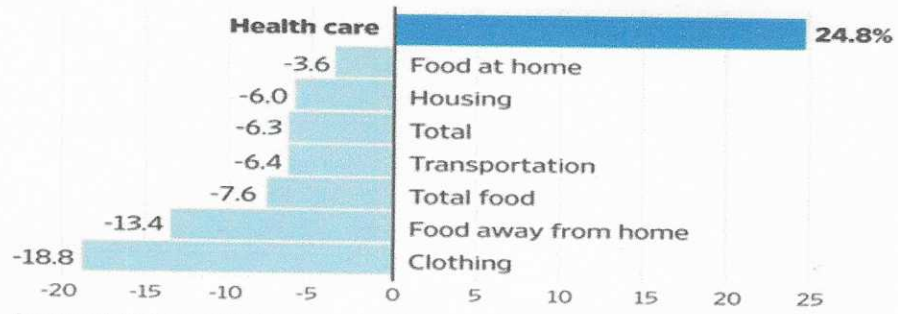
Spending on Healthcare Crowds Out Other Priorities

"Twenty years of wage stagnation on the middle class has been 95% caused by exploding healthcare costs."

Percent change in middle-income households' spending on basic needs (2007 to 2014)



Sources: Brookings Institution analysis of Consumer Expenditure Survey, Labor Department

THE WALL STREET JOURNAL.

Source: Anna Louie Sussman, "Burden of Health-Care Costs Moves to the Middle Class," *Wall Street Journal*, August 25, 2016. Available at: https://www.wsj.com/articles/burden-of-health-care-costs-moves-to-the-middle-class-1472166248 and Dave Chase, "Economic Development 3.0: Playing the Health Card," January 2017. Available at: https://www.linkedin.com/pulse/economic-development-30-playing-health-card-dave-chase/

- The dwindling middle class is most impacted by healthcare inflation. Twenty years of wage stagnation has been driven almost exclusively by hospital pricing.
- Increasing hospital service prices impacts other vital parts of the Texas economy.
- A recent Commonwealth Fund analysis found of those who make less than $50,000, 37% struggle with medical bills debt vs. 26% of those who make between $50,000 - 99,999, and 14% who make $100,000 or more.
- This is an equity issue and one on which employers can act!

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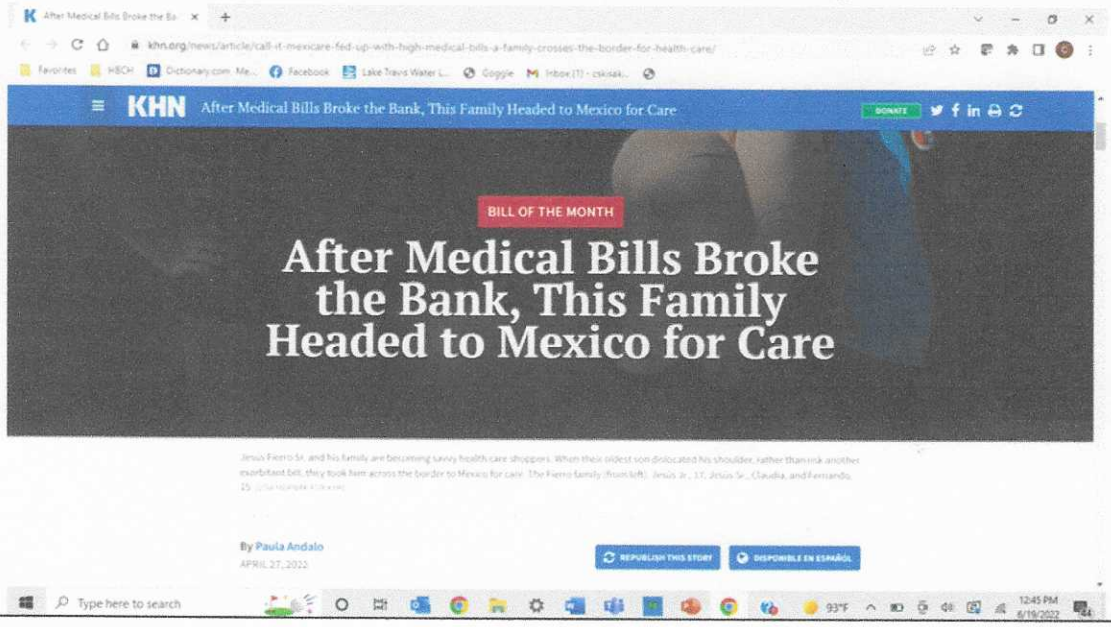
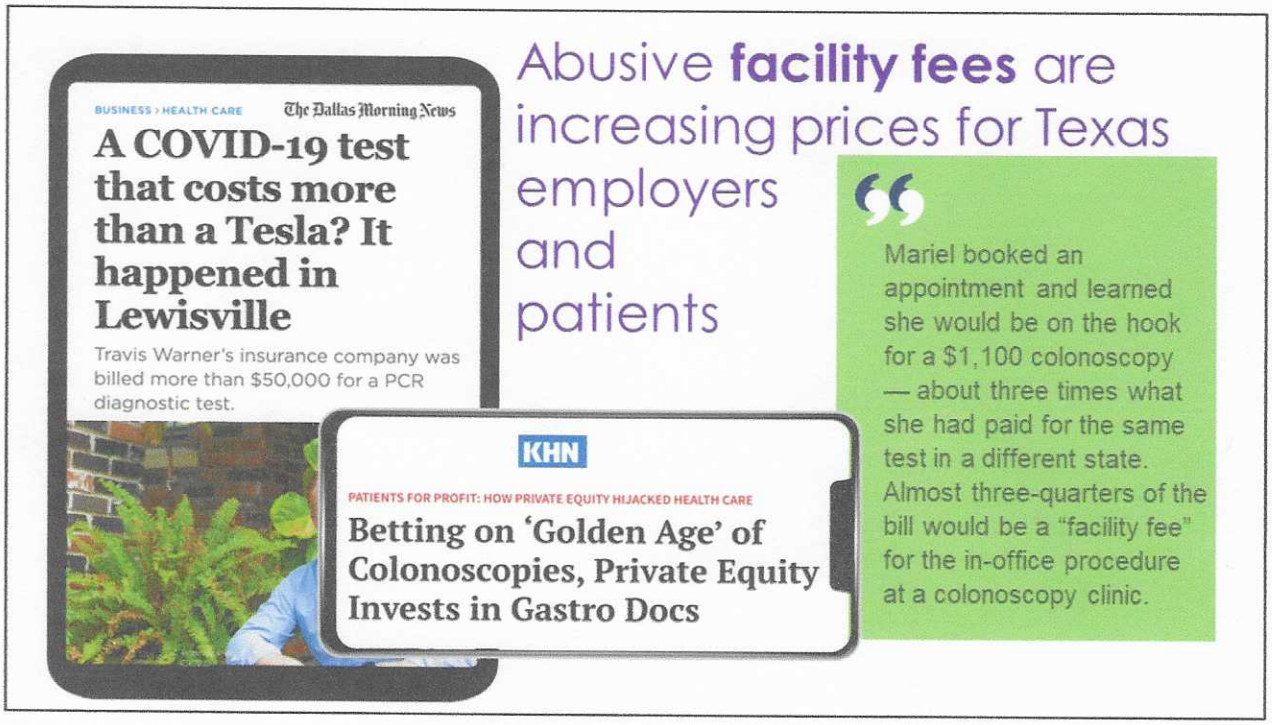
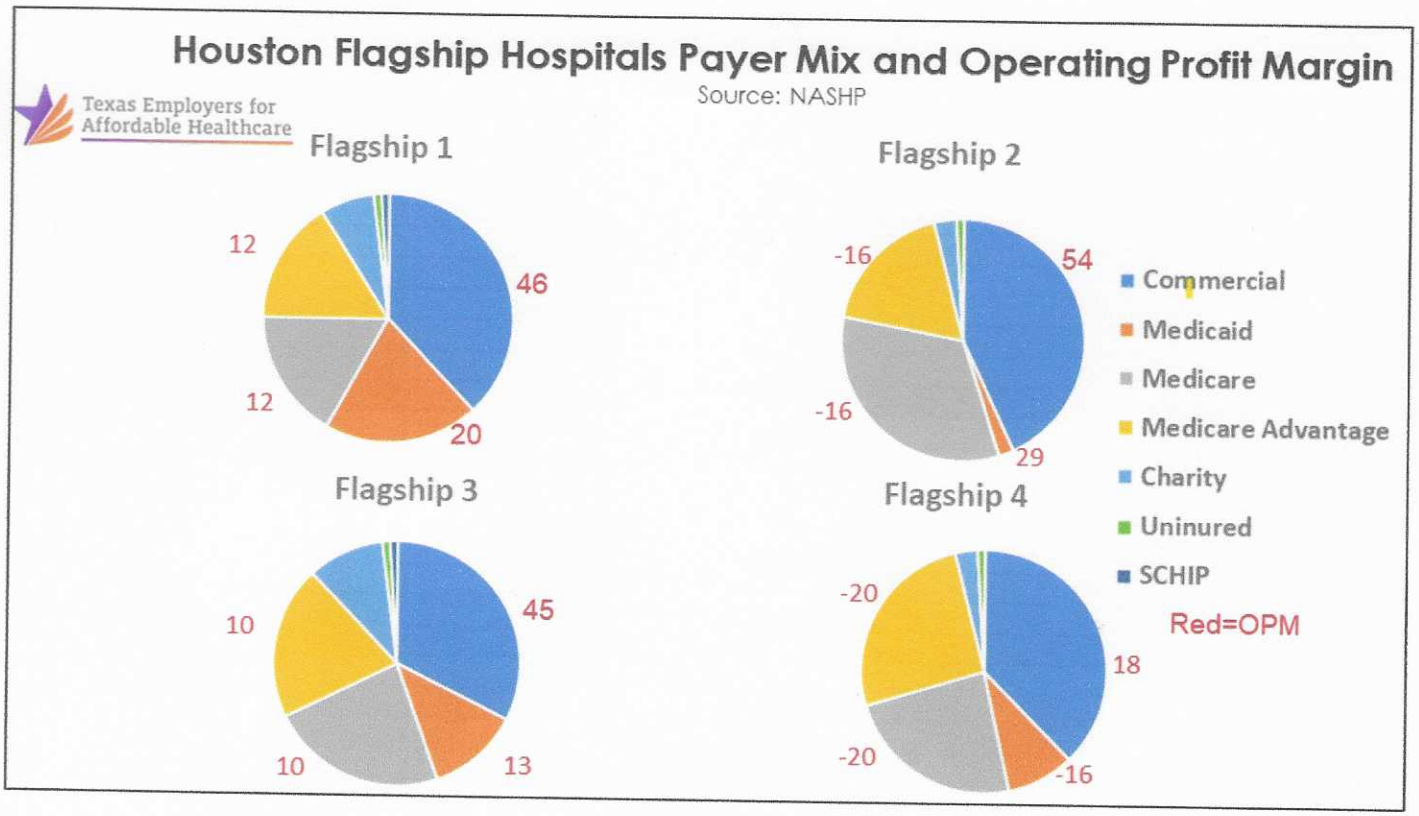
Real Impact on Family Quality of Life



- A "medical bill of the month" story from Kaiser Health News.
- Financial toxicity leads to clinical toxicity as patients skip needed care, do not refill prescriptions, or seek alternative care.
- Family was insured by an energy company in Houston and made $80,000 a year.
- Had a "good" HDHP. Because of his wife's illness he had medical debt of more than $10,000. His son separated his shoulder and could no longer afford care.
- Went to Mexico and paid cash.
- This is not what health insurance should look like in Texas.



This slides provide examples of the impact on individuals as a result of rampant acquisition of independent physician practices. Hospitals and private equity companies compete for this new treasure trove of revenue. This results in billing for services at hospital prices and facility fees.



- This slide shows NASHP data for the flagship hospital for each of the major health systems in Houston.
- The pie charts show the percent payer mix for each. The red font shows the operating profit margin for each payer category.
- Data on scores of Texas hospitals in aggregate look like Flagships 1 & 3.
- Does not support what employers have been told for decades, that they need to pay much more to make-up from the Medicare, Medicaid, charity and uninsured shortfalls.
- MedPAC (Medicare Payment Advisory Commission) that sets Medicare pricing reported in 2021 that efficient hospitals lose -1% profit margin from Medicare rates.
- The prices employers pay for every one of these hospital is at least 100% more than the NASHP Breakeven price.
- Have met with several of you. Would be pleased to provide data on your district hospitals.

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The Employer is the Fiduciary

ERISA: Duty of Loyalty (Exclusive Benefit Rule)

The obligation to discharge fiduciary duties solely in the interest of plan participants and beneficiaries. A fiduciary must:

- Act for the exclusive purpose of providing benefits to participants and beneficiaries; and
- Pay plan expenses that are reasonable and relate only to plan activities

BUT, what do your contracts say.....

- Insurance carriers and TPAs are often reticent to disclose information they consider proprietary
- TPA contracts often include "gag" clauses
- TPA holds third party contracts that Plan cannot access to determine costs and services
- Can you be sure plan expenses are "reasonable and relate only to plan activities"?

- The federal government, through the Consolidated Appropriations Act, has made clear that the fiduciary is not the hospital, the health plan, or any other intermediary. It falls to the employer and specifically to the executives of that organization.
- How can you act blindly as the fiduciary?

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Employers Need Data & a Seat at the Table

"We have determined that we will not participate in the discussion you request in your email of December 22." *Health System CFO*

XXXX "official" position is that we will be concentrating on fulfilling our obligation to the Texas and Federal data sets that are currently under construction. *Health Plan Market President*

"We queried several of our large health system **partners** who have confirmed that they will under no circumstance participate in any such venture and will concentrate on meeting their obligations under the state and federal programs. This issue seem to be dead on arrival." *Health Plan Market President*

- Common question to me from the legislators with whom I have met has been. "What is the response from the health plans and hospitals."
- This type of information had never been publicly available.
- HBCH had access to RAND and NASHP data before it was generally made pubic.
- Professed that HBCH did not have all the answers but wanted to understand from their perspective.
- Employers collectively want a seat at the table.

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Compliance with CAA Reporting

Source: Turquoise Health

Last updated April 30, 2022

- Percent of Records with Cash Rates: 0%
- Percent of Records with Negotiated Rates: 0%
- Percent of records with Big 5 National Payer rates: 0%
- Inpatient Rates: 0 listed
- Outpatient Rates: 0 listed

- Reporting compliance from two of the four major health systems in Houston.
- Those reporting are ~1/3 compliant.

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Contract Examples

- *"The amount TPA pays to a healthcare provider through the TPA contract with the provider may be different than the amount paid pursuant to the plan, because the allowed amount under the plan will be the Plan's contracted rate with the TPA, and not the contracted amount between the TPA and the healthcare provider."*
- *"TPA retains rebates it receives for Prescription Drugs covered under the medical portion of the Plan for its own use and as reasonable compensation for its services"*
- *"TPA has exclusive discretion to decide whether to pursue potential recoveries and determine reasonable methods for pursuing recoveries. TPA will retain 25% of all monies recovered."*
- *"TPA may receive remuneration for selling employer's data to other parties for use in research, monitoring, benchmarking, and industry analysis."*
- *"Employer or a contractor acting on behalf of Employer may not contact any healthcare provider concerning information in reports or data, unless the contact is coordinated by TPA."*
- *"Employer shall, under no circumstances, seek recovery of overpayment from network providers."*
- *"PBM shall determine, in its sole discretion, which pharmacies shall be Network Pharmacies, and the composition of Network Pharmacies may change from time to time"*
- *"Compensation – XXXXX may receive commissions or supplemental compensation from carriers, TPAs, PBMs, and other vendors contracted by client. These programs are common in the insurance industry and designed to recognize the value of the broker/consultant"*

- Examples from employer contracts.
- Supports the need to pass legislation to eliminate anti-competitive language in contracts between health plans and hospitals.

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Prohibit Anti-competitive Contracts

- Policymakers can restore healthy competition
- **NASHP Model Act**
  - Gag Clause (prohibits disclosure of price or quality information)
  - All-or-Nothing Clause (prohibits inclusion of all providers and facilities)
  - Most favored Nation Clause (prohibits contracting at a lower price)
  - Anti-Steering Clause (prohibits navigation to a competitor on price or quality)
  - Anti-Tiering Clause (prohibits tiering based on price or quality)
  - Any Other Clause (Exclusive Contracting, Non-compete Clause)
- Growing state activity
- Significant financial impacts
- Report on Preventing Anti-competitive Contracting

- Passage of this legislation will effectively give employers a seat at the table.
- Passage will allow employers to monitor the value of their health plan and consultants.
- Passage of this legislation has already benefited employers nationally.
- After passage of legislation that eliminated anti-competitive language a large employer in NY eliminated the largest and most expensive health system from it's network. Led to all employees receiving a $3,000-$5,000 wage increase.
- Access to transparency data in MT led to a Medicare based pricing for all state employees.

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Prohibit Anti-competitive Billing Site Neutral Payments

- Consolidation results in unsupportable facility fees
- Abuse by health systems of original intent of facility fees
- NASHP Model Act
- Prohibits site-specific facility fees for services close to a hospital campus
- Curbs the impact of consolidation
- Significant financial impacts

- Passage of this legislation may lead to less consolidation and private equity acquisitions leading to lower prices.

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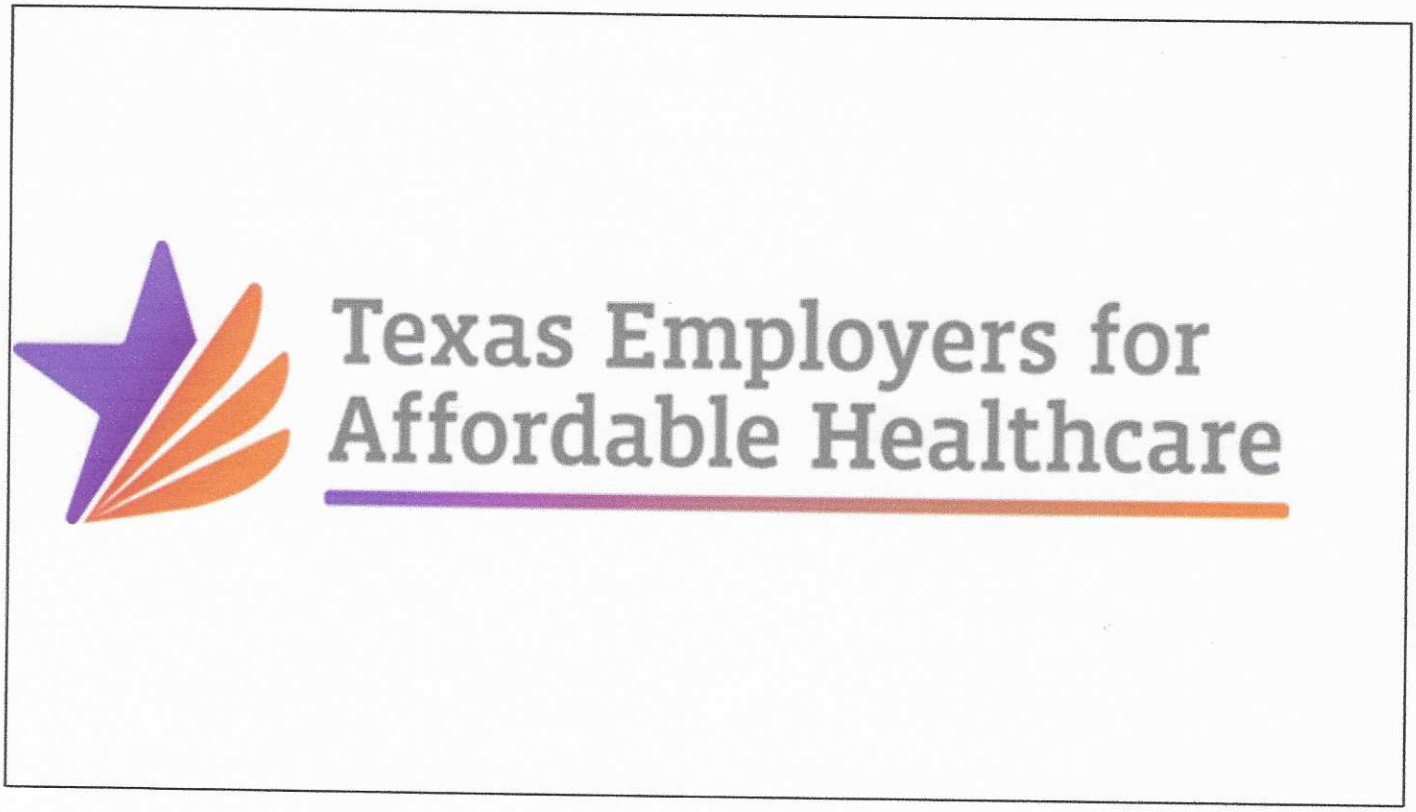
Conclusions

- Rising health care costs place pressure on employers and worker wages
- Employers need transparent information and a direct seat at the table (cannot place burden on employees)
- Where markets have failed because of anti-competitive behavior, policymakers have a responsibility to prohibit anti competitive contracts and billing, and restore healthy competition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