



House Bill 966 (84th Texas Legislature) Report on Consumer Directed HealthSelectSM

Employees Retirement System of Texas

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Overview

The 84th Texas Legislature (2015) passed House Bill 966, amending Chapter 1551 of the Texas Insurance Code directing the Employees Retirement System of Texas (ERS) to create an optional consumer directed health plan for Texas Employees Group Benefits Program (GBP) members and eligible dependents. On September 1, 2016, ERS launched a high-deductible health plan with a health savings account, branded as Consumer Directed HealthSelectSM, for eligible GBP members.

In accordance with H.B. 966, this report provides information on the following aspects of the consumer directed health plan experience: health care utilization rates and the ages of those who opt into the plan, its actuarial impact, the status of the risk pool, and fluctuations in premium cost.

The report includes data for the first three plan years – from plan inception (September 1, 2016) through Fiscal Year 2019 (August 31, 2019). The analysis compares health care utilization rates and the average member age to enrollees in the largest GBP health plan, HealthSelect of Texas[®]. This report follows a study published in August 2018 that analyzed the plan's enrollment demographics, healthcare costs and utilization data during Calendar Year 2017 as directed by the 85th Legislature (2017) in the General Appropriations Act.

For the purposes of this analysis, “member” refers to the employee or retiree enrolled in the plan(s) and “participant” refers to any enrolled person (whether a member or enrolled dependent).

Plan Design

The Internal Revenue Service (IRS) sets eligibility and plan design requirements for a high-deductible health plan and a tax-advantaged health savings account (HSA). All aspects of Consumer Directed HealthSelect plan design comply with Chapter 1551 of the Texas Insurance Code and IRS requirements, including deductible minimums, the state contribution amount to a member's HSA, and maintenance of cost neutrality to the state.

Members enrolled in Consumer Directed HealthSelect who are not enrolled in Medicare can receive monthly contributions to an HSA, which can then be used to pay for future eligible medical expenses, as specified by the IRS. ERS established an HSA program for Consumer Directed HealthSelect members, who must open an HSA account with ERS' vendor, Optum Bank, in order to receive a monthly contribution from the state. ERS set a state contribution of \$45 for member-only coverage and \$90 for family coverage into a member's HSA each month. Members may also contribute their own pre-tax dollars up to maximum contribution limits set by the IRS.

Members covering eligible dependents in Consumer Directed HealthSelect pay 10% less in premium contributions for coverage than for HealthSelect of Texas coverage.

Consumer Directed HealthSelect participants must meet an annual deductible before the plan begins to help pay for covered medical care and prescriptions. This means that the member must pay for covered medical services and prescription drugs upfront until meeting the deductible. Once reaching the deductible, the member pays 20% coinsurance for in-network medical and pharmacy costs until reaching the total out-of-pocket maximum. However, the plan covers preventive health care services at 100% before the deductible is met.

Deductibles for 2019 and 2020

Deductible (includes prescriptions)	Individual Coverage	Family Coverage
In-network	\$2,100	\$4,200
Out-of-network	\$4,200	\$8,400

NOTE: Deductibles are based on the calendar year and reset on January 1.

HSA contribution limits for CY19

Description	Individual account	Family account
Annual maximum contribution from all sources	\$3,500	\$7,000
Annual state contribution	\$540 (\$45/month)	\$1,080 (\$90/month)
Annual maximum member contribution	\$2,960	\$5,920

Health Care Utilization Rates

Consumer Directed HealthSelect participants used preventive services and generic drugs at rates similar to HealthSelect of Texas participants. In contrast, Consumer Directed HealthSelect participants received care from emergency room facilities and health care providers – including primary care physicians (PCP), specialists and hospital facilities – considerably less often than HealthSelect of Texas participants. This trend remained consistent throughout the entire three-year review period.

Since plan inception, the Consumer Directed HealthSelect per participant annual physical PCP visit rate remains consistent with the HealthSelect of Texas rate. In FY19, Consumer Directed HealthSelect participants received an annual physical at a rate of 562 visits per 1,000 participants, compared to 560 visits per 1,000 participants in HealthSelect, similar to the previous two years.

Overall non-preventive health care utilization is lower in Consumer Directed HealthSelect than in HealthSelect of Texas. In 2017, Consumer Directed HealthSelect participants visited health care providers about half as often as HealthSelect participants, increasing to 64% of the HealthSelect of Texas rate by FY19. In that year, Consumer Directed HealthSelect participants incurred 7,888 total provider visits per 1,000 participants compared to 12,296 visits per 1,000 participants in HealthSelect of Texas.

Similar to the total provider visit rates, emergency room visits were lower among Consumer Directed HealthSelect participants than HealthSelect of Texas participants during the three-year period, but the gap narrowed over time. In FY17, Consumer Directed HealthSelect participants visited the ER about half as often as HealthSelect of Texas participants, increasing to 75% of the HealthSelect rate in FY18 before dropping slightly to 71% of the HealthSelect of Texas rate in FY19. Consumer Directed HealthSelect participants incurred 178 ER visits per 1,000 participants during FY19, compared to 252 ER visits per 1,000 participants in HealthSelect of Texas.

The ERS utilization analysis found that the FY19 generic dispensing rate for Consumer Directed HealthSelect participants (88%) was similar to that of HealthSelect of Texas (87%), consistent with the previous two plan years. Generics represent the vast majority of prescriptions filled in both the HealthSelect of Texas and Consumer Directed HealthSelect plans.

Status of the risk pool, actuarial impact and premium cost fluctuations

Section 1551.460 of the Texas Insurance Code directs ERS to maintain a single, undivided risk pool for all self-funded plans. Consumer Directed HealthSelect participants are included in the single risk pool with benefits designed to be actuarially cost-neutral, per statute. Therefore, the Consumer Directed HealthSelect structure does not negatively impact the status of the risk pool.

When comparing the Consumer Directed HealthSelect experience with the per capita cost-neutral assumptions first made when the plan was designed, ERS found that the experience has closely matched the initial assumptions in terms of enrolled member demographics, health plan spending and utilization. Therefore, Consumer Directed HealthSelect does not negatively impact overall plan funding.

Total premium costs for each of the three years have fluctuated at the same rates as HealthSelect of Texas during the same period.

- From FY17 to FY18 premiums increased by .75%
- From FY18 to FY19 premiums increased by .5%
- From FY19 to FY20 premiums remained unchanged

Ages of Those Who Opt Into the Plan

From Fiscal Years 2017 through 2019, the average age of members enrolled in Consumer Directed HealthSelect was eight to nine years younger than the average age of members enrolled in HealthSelect of Texas. During FY19, the average age of Consumer Directed HealthSelect members was 42, compared to an average of 50 for HealthSelect of Texas members.

Factors that could account for the younger average age of Consumer Directed HealthSelect members include:

- Consumer Directed HealthSelect is not available to any participant enrolled in Medicare. IRS rules prohibit HSA contributions for any participant enrolled in Medicare, regardless of age.
- Younger, healthier members can be more likely to enroll in a high-deductible plan if they anticipate little use of health care services and prescriptions. Preventive care services are not subject to a deductible or cost-share, and are provided in the same manner as HealthSelect of Texas.

Summary

Consumer Directed HealthSelect and HealthSelect of Texas participants had similar rates of usage for preventive services and generic drugs; however, overall healthcare utilization for non-preventive and emergency services was lower among Consumer Directed HealthSelect participants. The developed structure of the plan maintained cost neutrality with HealthSelect of Texas while mirroring the rate of premium changes from year to year. The average age of members enrolling in Consumer Directed HealthSelect was eight to nine years younger than the average age of members enrolling in HealthSelect of Texas. As this program grows and matures, ERS will continue to review these statistics to ensure the plan provides appropriate health coverage options to the state workforce.



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