



# Texas Employers for Affordable Healthcare

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## Impact on Employers & Employees

Chris Skisak, PhD  
HBCH & TEAHC

# Employer-sponsored plans cover half of Americans

20 % of GDP vs. <10% in E.U. nations

\$1.2 trillion

health care costs in 2018

\$480 billion

hospital costs in 2018

160 million people

# Employer-Provided Coverage Is Critical for Texans

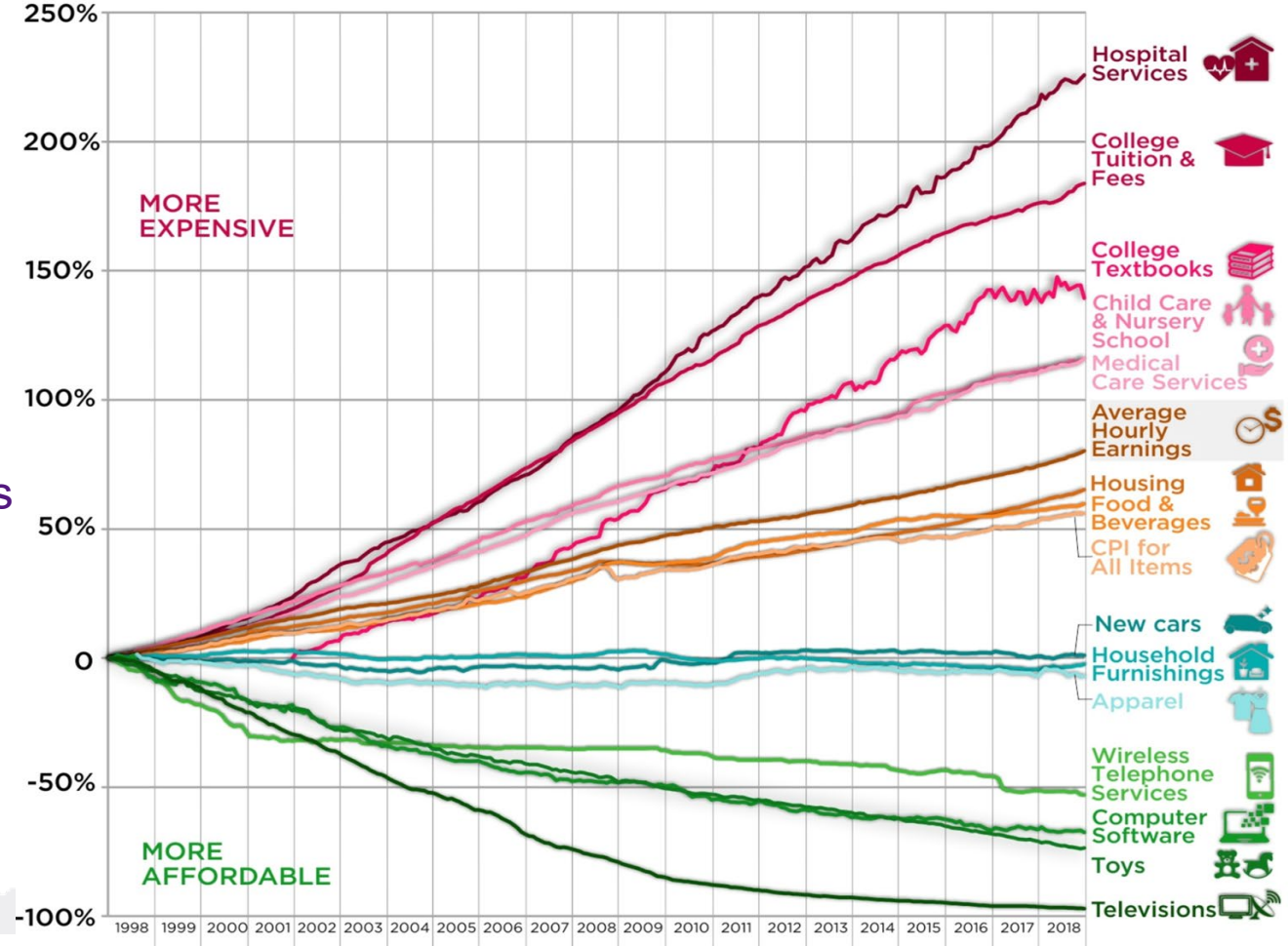
- 50% of all Texas residents covered by employer-provided health coverage
- 75% of employees consider health benefits in decision to accept a job
- Largest tax break for employers, valued at over \$329 billion nationally, lowers cost of premiums by 32% for employers
- Small businesses are dropping health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

# 20 Years of Price Changes in The United States

Selected Consumer Goods & Services, Wages (January 1998 to December 2018)

## Impacts

- Business Growth
- Quality of Life
- Community Resources



BUSINESS

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



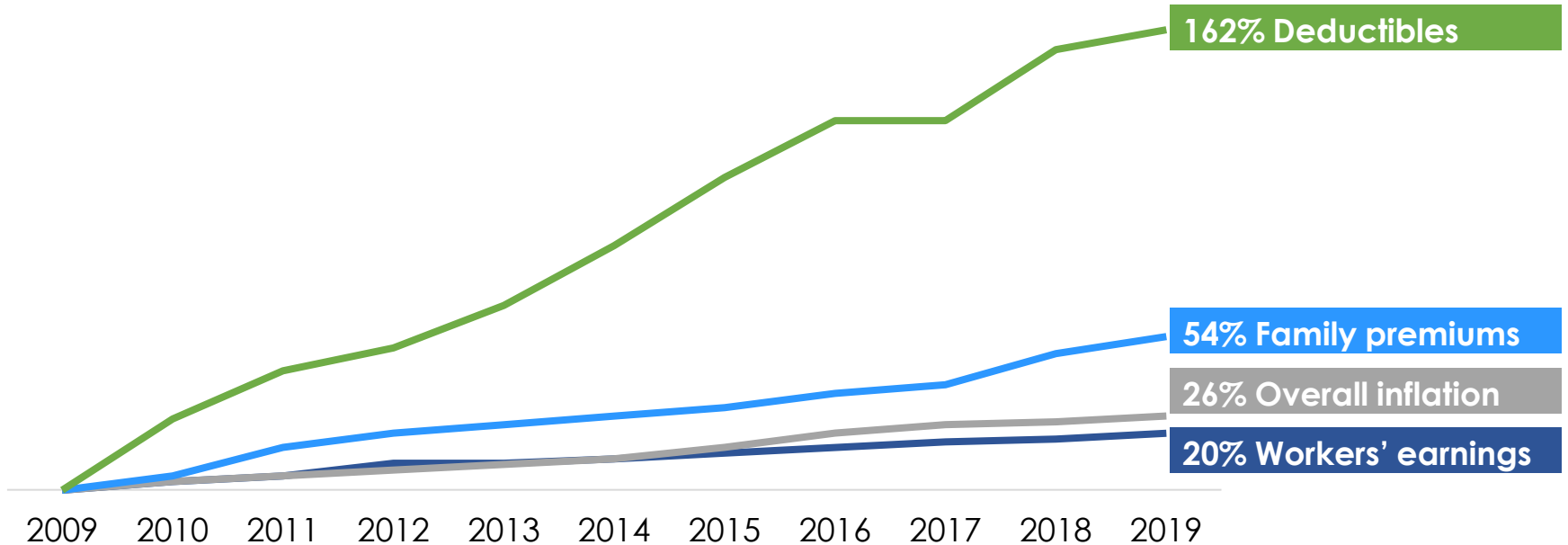
Rebecca Carballo, Staff writer

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.

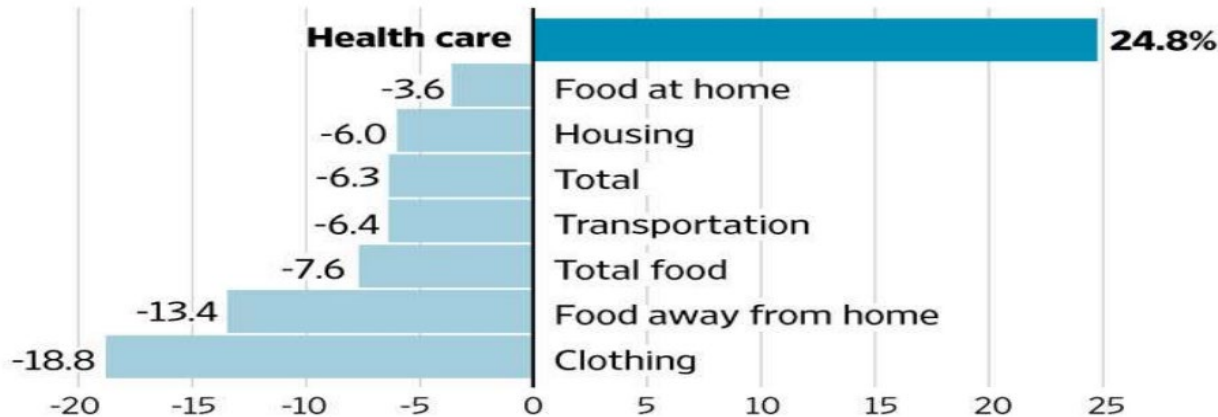
# Premiums and deductibles have outpaced wages



# Spending on Healthcare Crowds Out Other Priorities

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

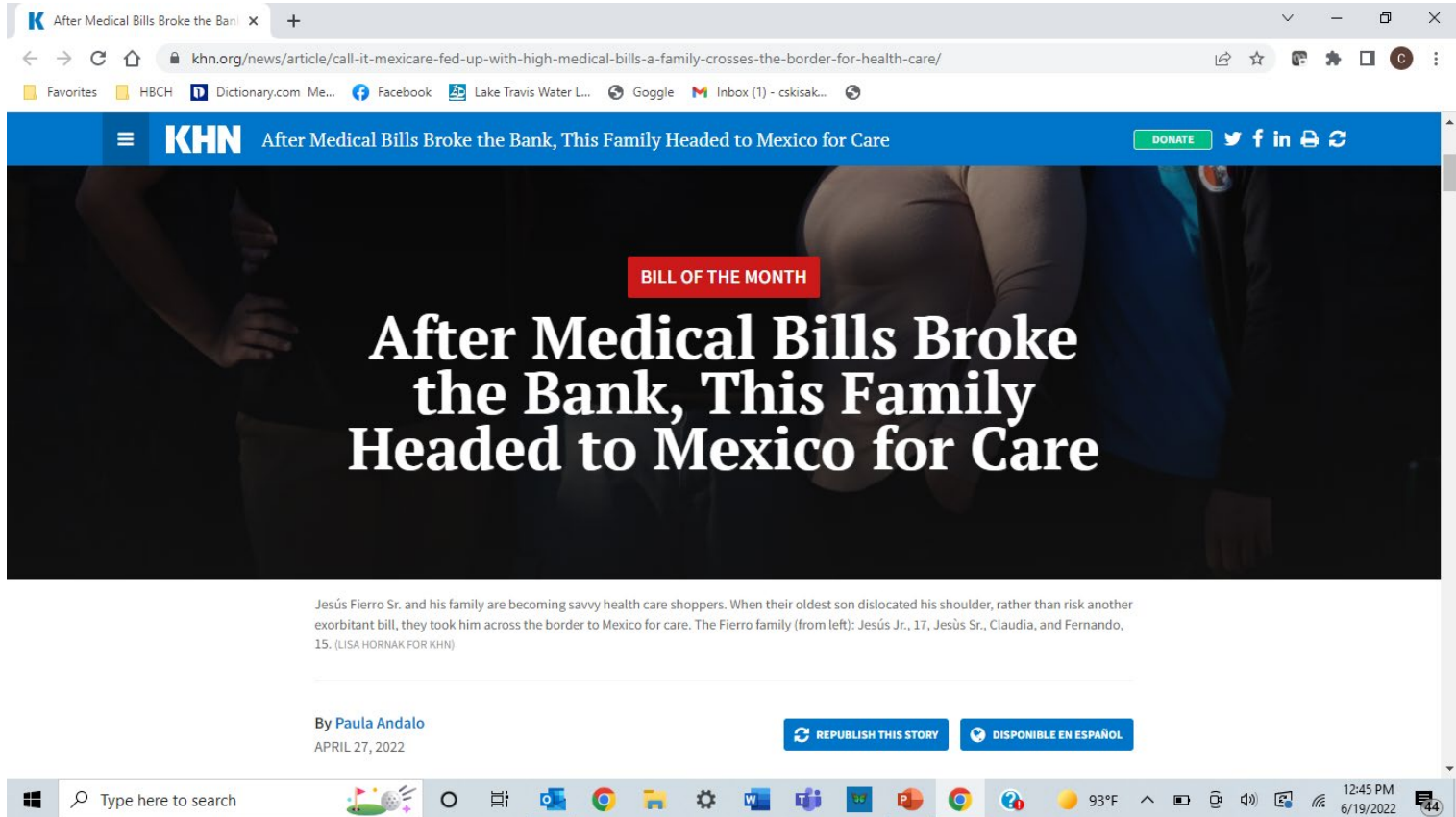
**Percent change in middle-income households' spending on basic needs (2007 to 2014)**



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-1472166246> 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/>.

# Real Impact on Family Quality of Life



The screenshot shows a web browser window with the address bar displaying [khn.org/news/article/call-it-mexicare-fed-up-with-high-medical-bills-a-family-crosses-the-border-for-health-care/](https://khn.org/news/article/call-it-mexicare-fed-up-with-high-medical-bills-a-family-crosses-the-border-for-health-care/). The browser's address bar also shows several tabs, including 'After Medical Bills Broke the Bank', 'Favorites', 'HBCH', 'Dictionary.com', 'Me...', 'Facebook', 'Lake Travis Water L...', 'Goggle', and 'Inbox (1) - cskisak...'. The KHN website header is visible, featuring the KHN logo, the article title 'After Medical Bills Broke the Bank, This Family Headed to Mexico for Care', a 'DONATE' button, and social media sharing icons for Twitter, Facebook, LinkedIn, and Print. The main content area features a large, dark image of a family with the headline 'After Medical Bills Broke the Bank, This Family Headed to Mexico for Care' in white text. A red banner above the headline reads 'BILL OF THE MONTH'. Below the headline, a paragraph of text reads: 'Jesús Fierro Sr. and his family are becoming savvy health care shoppers. When their oldest son dislocated his shoulder, rather than risk another exorbitant bill, they took him across the border to Mexico for care. The Fierro family (from left): Jesús Jr., 17, Jesús Sr., Claudia, and Fernando, 15. (LISA HORNAK FOR KHN)'. At the bottom of the article, it says 'By Paula Andalo' and 'APRIL 27, 2022'. There are two buttons at the bottom right: 'REPUBLISH THIS STORY' and 'DISPONIBLE EN ESPAÑOL'. The Windows taskbar is visible at the bottom of the screen, showing the search bar, task view button, and several open applications including Chrome, Word, and Outlook. The system tray shows the date and time as 6/19/2022, 12:45 PM, and the temperature as 93°F.

After Medical Bills Broke the Bank, This Family Headed to Mexico for Care

**BILL OF THE MONTH**

## After Medical Bills Broke the Bank, This Family Headed to Mexico for Care

Jesús Fierro Sr. and his family are becoming savvy health care shoppers. When their oldest son dislocated his shoulder, rather than risk another exorbitant bill, they took him across the border to Mexico for care. The Fierro family (from left): Jesús Jr., 17, Jesús Sr., Claudia, and Fernando, 15. (LISA HORNAK FOR KHN)

By Paula Andalo  
APRIL 27, 2022

REPUBLISH THIS STORY

DISPONIBLE EN ESPAÑOL



BUSINESS > HEALTH CARE

The Dallas Morning News

## A COVID-19 test that costs more than a Tesla? It happened in Lewisville

Travis Warner's insurance company was billed more than \$50,000 for a PCR diagnostic test.

Abusive **facility fees** are increasing prices for Texas employers and patients



Marisel booked an appointment and learned she would be on the hook for a \$1,100 colonoscopy — about three times what she had paid for the same test in a different state.

Almost three-quarters of the bill would be a “facility fee” for the in-office procedure at a colonoscopy clinic.

KHN

PATIENTS FOR PROFIT: HOW PRIVATE EQUITY HIJACKED HEALTH CARE

## Betting on ‘Golden Age’ of Colonoscopies, Private Equity Invests in Gastro Docs



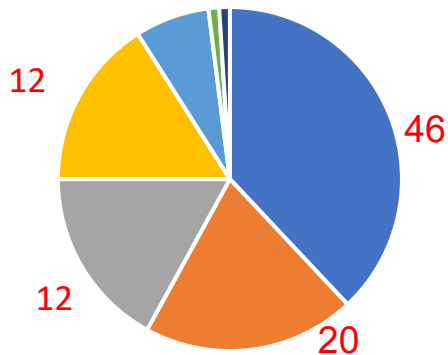
Parkview via  
CC2.0

# Houston Flagship Hospitals Payer Mix and Operating Profit Margin

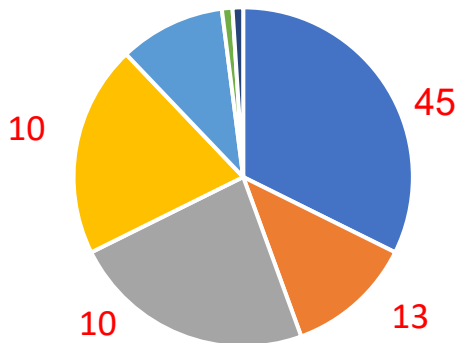
Source: NASHP



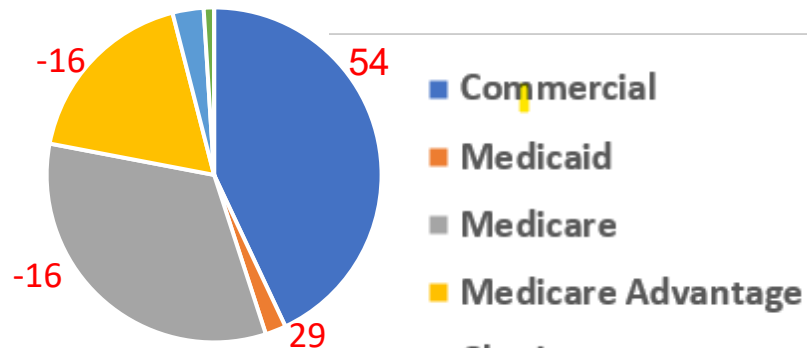
## Flagship 1



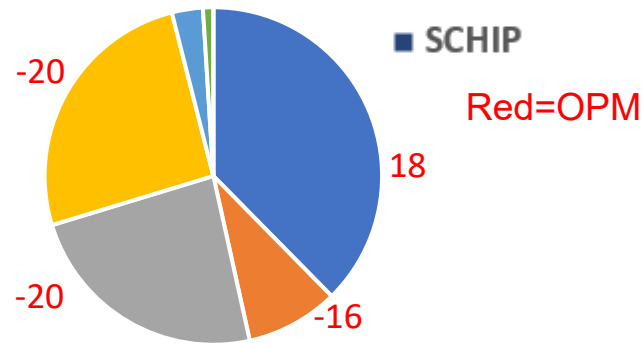
## Flagship 3



## Flagship 2



## Flagship 4



Red=OPM

# 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”?

# 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*

# 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

# 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"

# 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

# 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



# 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



**Texas Employers for  
Affordable Healthcare**

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