

# EMPLOYEES RETIREMENT SYSTEM OF TEXAS CONSUMER-DIRECTED HEALTH PLAN



AN ISSUE BRIEF FROM LEGISLATIVE BUDGET BOARD STAFF

ID: 3122

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## OBJECTIVE

The Employees Retirement System of Texas will begin offering a consumer-directed health plan that includes a high-deductible health plan and a health savings account, effective September 1, 2016.

## KEY FACTS

- ◆ Enrollment in Consumer Directed HealthSelect is an alternative to the traditional HealthSelect of Texas and health maintenance organizations.
- ◆ Consumer Directed HealthSelect will have higher deductibles and out-of-pocket expenses than the HealthSelect of Texas plan.
- ◆ Consumer Directed HealthSelect plan premiums will be less than HealthSelect of Texas, and the state will contribute to an enrollee's health savings account, which may be used to pay for qualified expenses.

## BUDGETARY IMPACT

No budgetary impact is expected; the state contribution for enrollees in the consumer-directed plan is equal to the state contribution for enrollees in the HealthSelect of Texas plan.

## STATUTORY REFERENCES

The Texas Insurance Code, Chapter 1551, Subchapter J, State Consumer-Directed Health Plan

House Bill 966, Eighty-fourth Legislature, 2015, requires the Employees Retirement System (ERS) to offer a consumer-directed health plan (CDHP) option to active employees and non-Medicare eligible retirees beginning September 1, 2016. The ERS Board of Trustees adopted a plan model for the CDHP at its February 2016 board meeting, and the plan will be called Consumer Directed HealthSelect.

## PLAN MODEL

A CDHP has two components: a high-deductible health plan (HDHP), and a health savings account (HSA). A participant assumes the risk of a high deductible in exchange for a tax-free employer contribution to a HSA. The Internal Revenue Service (IRS) set the minimum deductible for a qualified HDHP at \$1,300 for employee-only coverage, or \$2,600 for coverage of employee and family in 2016. HSA funds may be used to pay for qualified medical expenses, and the funds are portable, which means the funds may be transferred with the participant if he or she leaves the state workforce.

Pursuant to House Bill 966, the total state contribution to Consumer Directed HealthSelect must be equal to the amount contributed for full-time and part-time employees with basic coverage. The board annually determines the state contribution amounts to the plan premiums and HSAs. The HSA contribution amount is typically what remains after what the state would have otherwise contributed for traditional HealthSelect plan premiums.

ERS participants are not required to enroll in Consumer Directed HealthSelect. However, if they choose to enroll, the participant and any covered dependents must be enrolled in the same health plan.

## MEDICAL AND PHARMACY BENEFITS

Members who enroll in Consumer Directed HealthSelect will have a high deductible that must be paid out of pocket for any covered health services before the plan begins to pay for any qualified expenses. The deductible for calendar year 2016 is \$2,100 for an individual and \$4,200 for a family. Consumer Directed HealthSelect provides preventive health care, such as annual checkups and vaccinations, at no cost, even if members have not met the deductible.

After the deductible is met, the plan pays for 80.0 percent of in-network health and prescription expenses and 60.0 percent for allowable out-of-network health and prescription expenses. Members pay the remaining 20.0 percent and 40.0 percent, respectively, until the out-of-pocket maximum is reached. Deductibles and out-of-pocket maximums are shown in **Figure 1**. For plan year 2017, the health plan will be administered by UnitedHealthcare, the administrator of HealthSelect of Texas.

Consumer Directed HealthSelect participants also will have pharmacy benefits. However, the plan will not have the annual deductible and copays offered in HealthSelect of Texas and health maintenance organizations. Participants will be responsible for the full cost of their prescriptions until they meet their annual deductibles. After participants meet the deductibles, they will be responsible for 20.0 percent of the full cost of the prescription drugs.

**FIGURE 1**  
**CONSUMER DIRECTED HEALTHSELECT ANNUAL DEDUCTIBLES AND OUT-OF-POCKET MAXIMUMS, CALENDAR YEARS 2016 AND 2017**

ITEM	IN-NETWORK		OUT-OF-NETWORK	
	INDIVIDUAL COVERAGE	FAMILY COVERAGE	INDIVIDUAL COVERAGE	FAMILY COVERAGE
Annual deductible, calendar year 2016	\$2,100	\$4,200	\$4,200	\$8,400
Annual out-of-pocket maximum, calendar year 2016	\$6,450	\$12,900	\$12,900	\$25,800
Annual out-of-pocket maximum, calendar year 2017	\$6,550	\$13,100	\$13,100	\$26,200

NOTE: Plan year 2017 is September 1, 2016, through August 31, 2017. The ERS Board of Trustees intends to maintain the calendar year 2016 deductible through calendar year 2017.  
SOURCE: Employees Retirement System.

### HEALTH SAVINGS ACCOUNT

Each eligible employee and retiree who participates in Consumer Directed HealthSelect will also have an HSA to help pay for qualified out-of-pocket health costs. HSAs have various tax benefits, including tax-free contributions up to a certain annual amount set by the IRS. Withdrawals are not taxed, as long as the money is used for eligible expenses, and interest and investment earnings are not taxed.

The ERS Board of Trustees determined that the state will contribute \$45 per month (\$540 per year) for an eligible individual, and \$90 per month (\$1,080 per year) for an eligible family account in plan year 2017. Members may also contribute to the HSA up to a certain amount each year. The maximum contribution from both the state and members, as set by the IRS, for calendar year 2016 is \$3,350 for an individual account and \$6,750 for a family account. HSAs will be administered by Optum Bank, a subsidiary of UnitedHealthcare Services, Inc., for plan year 2017.

Consumer Directed HealthSelect participants that have an HSA cannot also have a traditional flexible spending account, such as the account offered through TexFlex. However, remaining funds for participants enrolled in TexFlex will be rolled into limited flexible spending accounts, which limit eligible expenses to vision and dental care only.

### PLAN PREMIUMS

Figure 2 shows plan premiums for plan year 2017. Consumer Directed HealthSelect has lower monthly premiums for dependent coverage than HealthSelect of Texas. However, enrolling in Consumer Directed HealthSelect could mean higher out-of-pocket costs to members, which may be paid for by the HSA.

**FIGURE 2**  
**COMPARISON OF MONTHLY PLAN PREMIUMS, PLAN YEAR 2017**

COVERED PARTICIPANT(S)	HEALTHSELECT		CONSUMER DIRECTED HEALTHSELECT	
	TOTAL PREMIUM	MEMBER PAYS	TOTAL PREMIUM AND HSA CONTRIBUTION	MEMBER PAYS
Employee Only	\$617.30	\$0.00	\$617.30	\$0.00
Employee and Spouse	\$1,324.66	\$353.68	\$1,289.30	\$318.32
Employee and Children	\$1,090.90	\$236.80	\$1,067.22	\$213.12
Employee and Family	\$1,798.26	\$590.48	\$1,739.22	\$531.44

SOURCE: Employees Retirement System.

### USEFUL REFERENCES

Employees Retirement System, Consumer Directed HealthSelect: [www.ers.state.tx.us/Employees/Health/CDHS/](http://www.ers.state.tx.us/Employees/Health/CDHS/)

### CONTACT

Katy Fallon Email: [IssueBrief@lbb.state.tx.us](mailto:IssueBrief@lbb.state.tx.us)