

Health Industry Smoke and Mirrors

February 19, 2025

67th Annual V.G. Young School for
County Commissioners Courts



TEXAS ASSOCIATION *of* COUNTIES
HEALTH AND EMPLOYEE BENEFITS POOL

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- Introduction
- There's no such thing as a free lunch!
- Spreadsheets – there's more to the story.
- Self-funding: What you need to know.
- Market-check fallacies.
- Is your Pharmacy Benefits Manager (PBM) transparent?





Who is TAC HEBP?

- County-owned governmental entity
- Serving counties and county entities, not shareholders
- Governed by board consisting of 11 elected and appointed county officials



Who is TAC HEBP?



- Offering fully-insured and self-insured health plans (PPO, HMO, EPO, HRA and HSA), prescription drug, dental, vision, life insurance, short term and long-term disability

Pooling benefits allows us to spread the risk among Pool members providing greater stability.



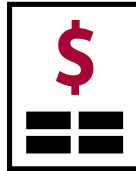
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Resources: TAC HEBP Strength in Numbers



232

Groups
and growing



\$5M

in surplus distribution
approved to be paid
out from CY2023
and \$66M over the
last 13 years.

Surplus is not
returned every year.
It is returned only
when operating costs
are less than
contributions



99%

Retention

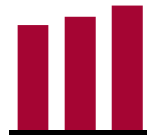


49,000+

Members



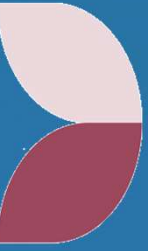
99% Targeted loss
ratio (99 cents of
every dollar goes to
pay claims rather
than overhead)



4.5%

Average annual
medical renewal
for past 5 years

The Pool has
not needed a
double-digit
average
increase in
over 15
years



There's no such thing as a free lunch.



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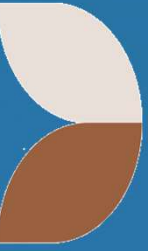


There's no such thing as a free lunch.

“We aren't going to charge you anything. We'll just share in the savings.”

Do you know how much the county is paying in broker commission and fees?





Spreadsheets

There's more to the story!



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Spreadsheets: There's more to the story!

Fully-Insured

There's more to the rates than just benefits.

- Network: Broad vs Limited
- Plan design: PPO, EPO, HMO



Spreadsheets: There's more to the story!

Self-Insured

There's more than just fixed costs.

- Total Cost = Fixed Costs + Claim Costs
- Claim Costs
 - Network Discount
 - In Network Utilization





Self-Funding: What you need to know.



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Beyond the Numbers: Key Insights for Evaluating Self-Funded Proposals



NETWORK

- Disruption (Geo Access)
- Repricing

Are you getting meaningful guarantees?

Note: The RFP needs to provide detailed instructions and require deviations to be noted.





Market Check Fallacies



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Market Check Fallacies



Quotes

- Failure to specify terms and requirements leaves room for interpretation and difficulty in comparing bids.
- No claims repricing, or network disruption.
- Rates are not underwritten (shadow pricing)
- Lacks guarantees



Market Check Fallacies



- Request for Proposal (RFP) will ensure...

- Complies with Local Government Code
- Requirements are defined
- Responder can administer
- Rates are underwritten
- Guarantees
- Implementation credits





Is Your PBM Truly Transparent?

Questions you should be asking about your PBM contract



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Questions you should be asking about your PBM contract.



- Who owns the contract?
- Define terms
- Drug-by-drug discounts
- Rebates
- Customization



Questions you should be asking about your PBM contract.



- Meaningful guarantees?
- Carve-out?
- Right to audit?
- Ability to negotiate?
- Terminate without cause?



Questions

Thank You



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