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BUSINESS > HEALTH CARE

Help from the Lege? Texas employers band together to combat high health costs

Since 1999, workers' contributions for family health premiums have increased 300%, nearly triple the gain in pay.



Over the past two decades, the cost of health insurance has surged for employers and workers, including many in downtown Dallas. A new coalition of business groups aims to slow the rise. (Shafkat Anwar / Staff Photographer)



By [Mitchell Schnurman](#)

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If you can't beat 'em, join together.

That's the approach adopted by large business groups on health from Dallas, Houston and San Antonio. Last week, they launched a coalition committed to slowing the rise in health care costs, and they plan to start by lobbying lawmakers during the next Legislature.

They want to ban certain language in contracts between health insurance plans and hospitals that they say intentionally blocks market competition.

“Think of things like gag clauses, most-favored nation, all or nothing, and anti-steering, anti-tiering rules,” said [Chris Skisak](#), executive director of the new [Texas Employers for Affordable Healthcare](#). “All of these clauses are in contracts because the large health systems can demand they are there.

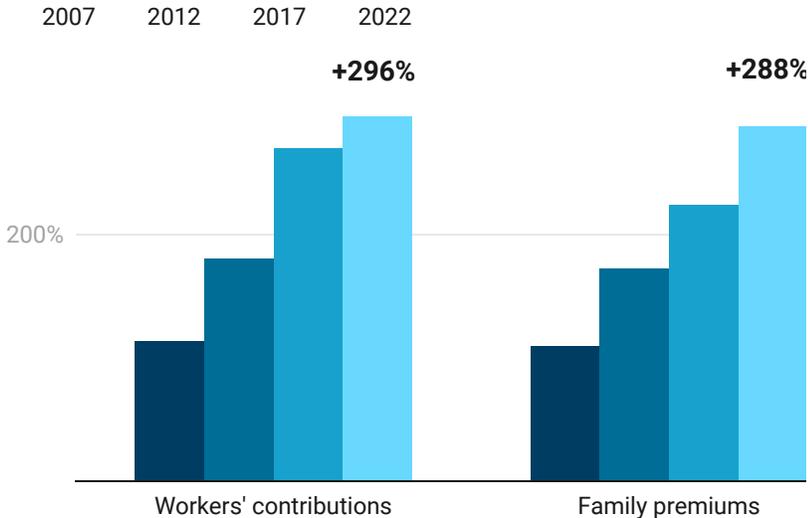
“We're not going to stop [health system] consolidation, because that horse has already left the barn,” he said. “So the only thing left is to seek legislative support — and to promote honest discussions and negotiations.”

The group was started by nonprofits that represent employers and a public policy think tank. Founding stakeholders include the Dallas-Fort Worth Business Group on Health, Houston Business Coalition on Health, San Antonio Business Group on Health, Texas Business Group on Health and Texas 2036, which does research on some of the state's biggest challenges.

The cost of health care has grown increasingly unaffordable for Texas families and businesses, and that's holding down wages and stalling growth, Skisak said.

Growth in health premiums laps earnings

Since 1999, the cumulative increase in workers' contributions to family health insurance premiums, family premiums, workers' pay and inflation:



Since 1999, the cumulative growth in family health premiums — and in workers’ contributions toward family premiums — has reached nearly 300%. That’s nearly triple the gain in workers’ pay, according to the Kaiser Family Foundation.

Inflation rose a cumulative 73% over the period, indicating that health costs are surging at a much faster clip. And while health costs are shared, employers absorbed over four-fifths of the costs of family premiums this year, according to the Kaiser Family Foundation 2022 Employer Health Benefits Survey.

“This coalition is designed to bring the employer voice to the [state] Capitol,” said [Charles Miller](#), senior policy adviser at [Texas 2036](#). “We need to say, ‘Enough is enough, prices have gone too high for too long. This rate of growth is unsustainable and something needs to change.’”

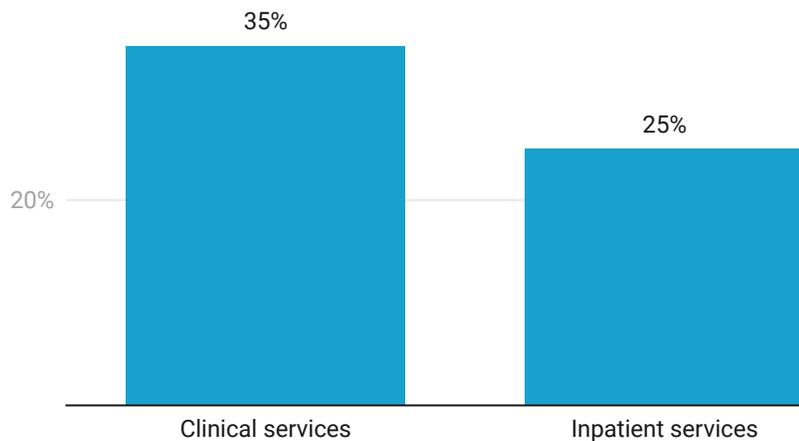
Ironically, the appeal is coming at a time when health costs are growing slower than usual and workers’ pay is growing faster. This year, average pay rose 6.7% while the average increase in [premiums for family coverage ticked up 1%](#), Kaiser said.

But experts believe the reprieve is only temporary. Major price increases are looming for many employers, largely because of inflation and a post-pandemic rebound in health services. The city of Plano just adopted a 15% increase in health insurance contributions for next year, which is the first increase in workers' share since 2015.

“We don't have additional revenue to pay for this, [requiring us to make tough budgeting choices](#),” Andrea Cockrell, Plano's administrative services manager and board chair of the Texas Business Group on Health, said in a prepared statement.

Health spending is high in Dallas

Per-person spending on health care in Dallas was \$5,660 in 2020. How that compares with the national median for overall spending and by select services:



Clauses in contracts between providers and insurers often push prices higher by insisting that all physicians and facilities be paid the same rate (“all or nothing”). Or that reimbursement increases negotiated at one provider be applied to another (“most favored nation”).

In the past, contract talks stalled between a major hospital system in Dallas and an insurer over the insurer wanting to recommend lower-priced facilities to its members.

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If the Legislature decides to restrict such language in contracts, Miller said, “This is going to hit insurers and large medical systems. Both sides of the equation do this whenever they have more market power.”

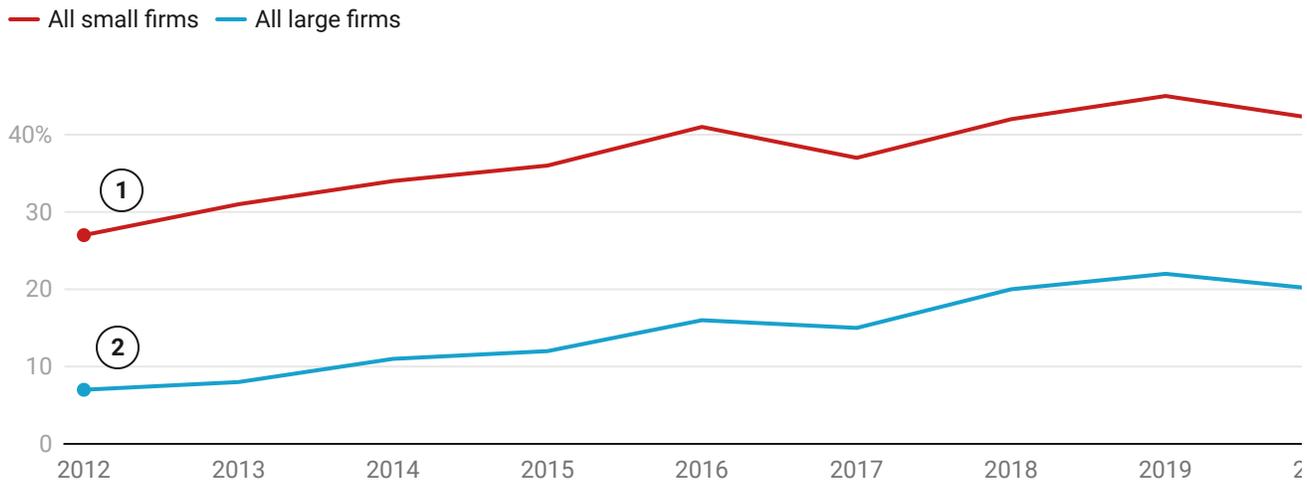
Health spending is high in Dallas, according to the Health Care Cost Institute. Per-person spending was \$5,660 in 2020, which was [16% above the national median](#), the group said. Spending was sharply higher for clinical and inpatient services.

[Chris Gay](#), CEO and cofounder of [Evry Health](#), a Dallas insurance startup, cited another example of an “all or nothing” contract provision: A pediatrician who can be added to a health plan’s network only if a certain hospital system is included. That usually leads to higher rates for having the doctor treat kids.

“Multiply that by 10, and you’ve got the U.S. health care system,” Gay said. “We’d love to see changes to the all-or-nothing approach.”

Many more workers face big deductibles

Share of workers in a health plan with an annual deductible of \$2,000 or more for single coverage, by company size:



① Small firms 2012: 27%

But there could be unintended consequences from pulling in lawmakers, said [Stephen Love](#), CEO of the Dallas-Fort Worth Hospital Council.

He noted that hospitals must absorb big losses treating Texas' large uninsured population, and they lose money on much of their Medicare and Medicaid work. They also can't raise prices when costs climb — as oil and gas companies did, for example — because hospitals are locked into multi-year contracts with insurers and employers.

Reformers should look beyond big hospital systems and include social drivers of health, such as diet, exercise and smoking, he said.

“Hospitals are not the sole solution to health care costs,” Love wrote in an email. “The full continuum of care should be in the discussion, and finger-pointing will not solve the problem.”

Plano has had success contracting directly with certain providers and sharing the savings with employees. For example, co-pays for primary care are just \$5 with doctors from a select group.

Cockrell would like to replicate the model with a hospital, and Love said many hospitals would embrace the chance to cut out “the middleman.”

“That way the employers [can] negotiate the contract language they prefer, eliminate new state laws and bring down the cost of health care,” Love said.

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