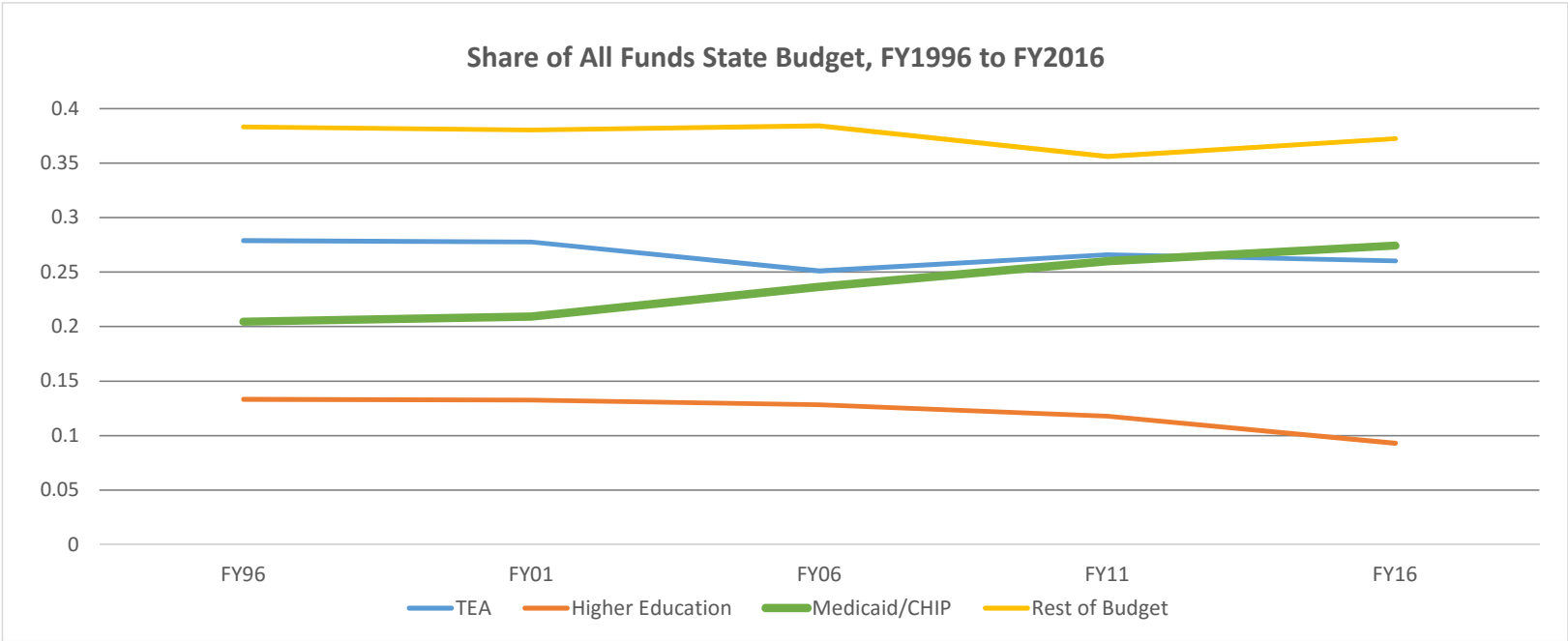


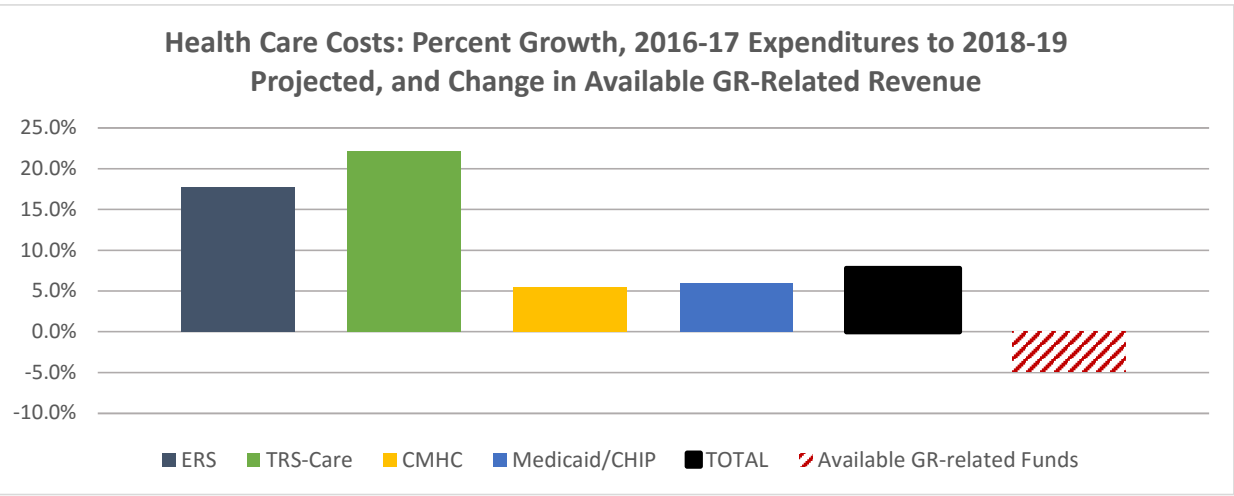
Summary of Health Care Costs: Senate Finance Committee Hearing, February 1, 2017

Prepared by LBB Staff



Health Care Costs: Total Estimated/Projected Expenditures 2016-17 to 2018-19 Biennium

	2016-17	2018-19	\$ Change	% Change
ERS	\$6,527,370,274	\$7,686,406,506	\$1,159,036,233	17.8%
TRS-Care	\$3,442,604,420	\$4,206,162,762	\$763,558,342	22.2%
CMHC	\$1,192,565,178	\$1,257,495,935	\$64,930,757	5.4%
Medicaid/CHIP	\$60,737,854,639	\$64,358,148,309	\$3,620,293,670	6.0%
TOTAL	\$71,900,394,511	\$77,508,213,512	\$5,607,819,002	7.8%
Available GR-related Funds				-4.9%

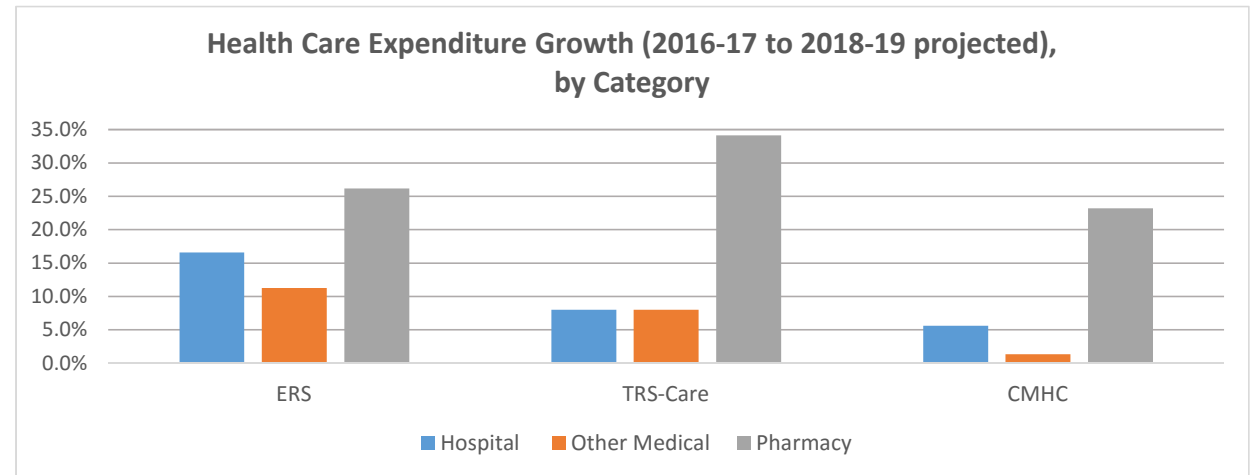


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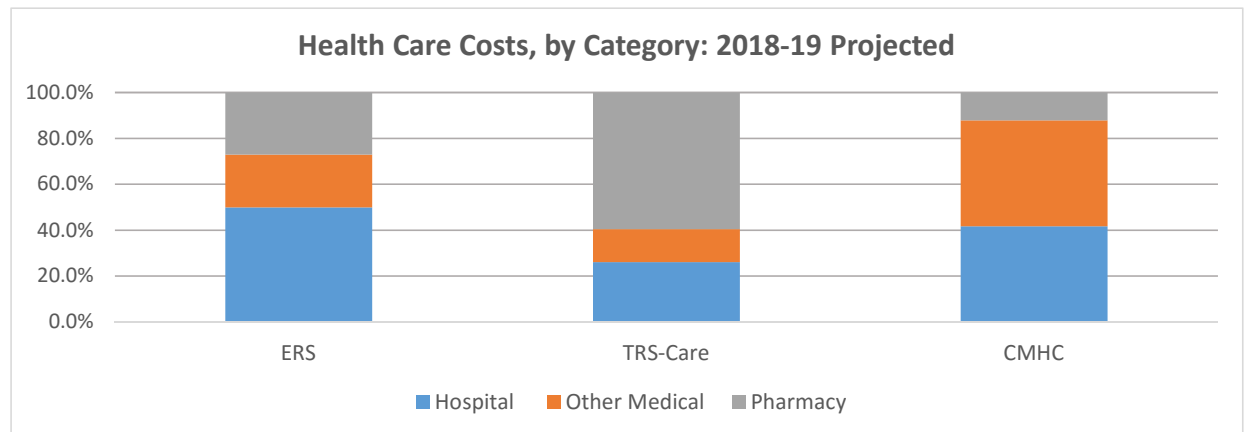
Health Care Expenditure Growth (2016-17 estimated to 2018-19 projected), by Category

	Hospital	Other Medical	Pharmacy	Total
ERS	16.6%	11.3%	26.2%	17.8%
TRS-Care	8.0%	8.0%	34.2%	22.2%
CMHC	5.7%	1.4%	23.2%	5.4%
Medicaid/CHIP	NA	NA	NA	6.0%
TOTAL (Excluding Medicaid)	13.7%	8.5%	30.2%	7.8%



Health Care Costs: Cost Categories as a Percentage of Total Costs, 2018-19 Projected

	Hospital	Other Medical	Pharmacy	Total
ERS	50.0%	22.9%	27.0%	100.0%
TRS-Care	26.1%	14.4%	59.4%	100.0%
CMHC	41.8%	46.1%	12.1%	100.0%



OVERALL HEALTH EXPENDITURES - ERS Group Benefits Program (GBP)

	2016		2017 Estimated			2018 Projected			2019 Projected			Average
	Expenditures	% of Total	Expenditures	Cost Trend	% of Total	Expenditures	Cost Trend	% of Total	Expenditures	Cost Trend	% of Total	
Hospital	\$1,585,601,600	50.6%	\$1,712,449,728	8.0%	50.5%	\$1,849,445,706	8.0%	50.3%	\$1,997,401,363	8.0%	49.8%	8.0%
Other Medical	\$770,865,600	24.6%	\$813,263,208	5.5%	24.0%	\$857,992,684	5.5%	23.3%	\$905,182,282	5.5%	22.7%	5.5%
Pharmacy	\$777,132,800	24.8%	\$868,057,338	11.7%	25.5%	\$974,828,390	12.3%	26.4%	\$1,101,556,081	13.0%	27.5%	12.3%
TOTALS	\$3,133,600,000	100.0%	\$3,393,770,274	8.3%	100.0%	\$3,682,266,781	8.5%	100.0%	\$4,004,139,726	8.7%	100.0%	8.5%

Annual Difference		Annual Difference		Annual Difference	
Hospital	\$126,848,128	Hospital	\$136,995,978	Hospital	\$147,955,656
Other Medical	\$42,397,608	Other Medical	\$44,729,476	Other Medical	\$47,189,598
Pharmacy	\$90,924,538	Pharmacy	\$106,771,053	Pharmacy	\$126,727,691
Total	\$260,170,274	Total	\$288,496,507	Total	\$321,872,945

Notes

1. These amounts represent the entire Group Benefits Program at ERS, which includes state agencies, institutions of higher education, junior and community colleges, and other entities such as Community Supervision and Corrections Departments, the Texas County and District Retirement System, the Texas Municipal Retirement System, and the Texas Turnpike Authority. The amounts include contributions from all of those employers as well those members' contributions. The Program also receives revenues from Medicare and prescription rebates and can rely upon a contingency reserve fund.
2. Expenditures shown do not include member cost sharing (e.g., copays), but do include member contributions.

OVERALL HEALTH EXPENDITURES - TRS-Care

	2016		2017 Estimated			2018 Projected			2019 Projected			Average
	Expenditures	% of Total	Expenditures	Cost Trend	% of Total	Expenditures	Cost Trend	% of Total	Expenditures	Cost Trend	% of Total	
Hospital	\$509,054,076	30.8%	\$508,804,683	0.0%	28.4%	\$536,028,917	5.4%	26.8%	\$563,531,576	5.1%	25.5%	3.4%
Other Medical	\$280,702,191	17.0%	\$280,564,671	0.0%	15.7%	\$295,576,636	5.4%	14.8%	\$310,742,130	5.1%	14.1%	3.4%
Pharmacy	\$861,956,570	52.2%	\$1,001,522,229	16.2%	55.9%	\$1,165,555,511	16.4%	58.4%	\$1,334,727,991	14.5%	60.4%	15.7%
TOTALS	\$1,651,712,836	100.0%	\$1,790,891,584	8.4%	100.0%	\$1,997,161,064	11.5%	100.0%	\$2,209,001,697	10.6%	100.0%	10.2%

Annual Difference		Annual Difference		Annual Difference	
Hospital	-\$249,392	Hospital	\$27,224,234	Hospital	\$27,502,659
Other Medical	-\$137,520	Other Medical	\$15,011,965	Other Medical	\$15,165,494
Pharmacy	\$139,565,659	Pharmacy	\$164,033,282	Pharmacy	\$169,172,480
Total	\$139,178,748	Total	\$206,269,481	Total	\$211,840,633

Non-appropriated Sources of Funding	
Active Member Contributions	0.65% of payroll; set by statute.
School District/Employer Contributions	0.55% of payroll; set by the General Appropriations Act. District/employer contributions are required by statute to fall within the range of 0.25% and 0.75% of payroll.
Retiree Premiums	Set by TRS; subject to limitation by the Legislature.

Notes

1. "*Expenditures*" above reflect self-funded medical and pharmacy claims cost by fiscal year. Fully insured Medicare Advantage premiums, third-party administrator fees, Affordable Care Act fees, internal fees, pharmaceutical rebates, and federal subsidies are not reflected in the expenditures shown above.
2. "*Cost Trend*" figures calculated above reflect the overall impact of medical and pharmacy cost trend assumptions, future retirement and mortality assumptions, changes in plan elections due to changes in Medicare status, and plan design changes.

OVERALL HEALTH EXPENDITURES - Correctional Managed Health Care

2016 Actual			2017 Estimated			2018 Projected			2019 Projected			
	Expenditures	% of Total	Expenditures	Cost Trend	% of Total	Expenditures	Cost Trend	% of Total	Expenditures	Cost Trend	% of Total	Average
Hospital	\$255,168,215	43.2%	\$242,412,510	-5.0%	40.3%	\$257,096,959	6.1%	41.4%	\$268,693,912	4.5%	42.2%	1.7%
Other Medical	\$273,081,841	46.2%	\$298,206,528	9.2%	49.6%	\$289,628,003	-2.9%	46.7%	\$289,628,003	0.0%	45.5%	2.0%
Pharmacy	\$62,769,294	10.6%	\$60,926,790	-2.9%	10.1%	\$73,591,672	20.8%	11.9%	\$78,857,386	7.2%	12.4%	7.9%
TOTALS	\$591,019,350	100.0%	\$601,545,828	1.8%	100.0%	\$620,316,634	3.1%	100.0%	\$637,179,301	2.7%	100.0%	2.5%

Annual Difference		Annual Difference		Annual Difference	
Hospital	-\$12,755,705	Hospital	\$14,684,449	Hospital	\$11,596,953
Other Medical	\$25,124,687	Other Medical	-\$8,578,525	Other Medical	\$0
Pharmacy	-\$1,842,504	Pharmacy	\$12,664,882	Pharmacy	\$5,265,714
Total	\$10,526,478	Total	\$18,770,806	Total	\$16,862,667

Notes

1. Direct and indirect administrative costs are included in the above figures.
2. Overall health care expenditures include the following: fiscal year 2016 expenditures include \$10.2 million in the Hospital category related to fiscal year 2015 (\$4.8 million above the fiscal year 2015 funding levels and \$5.4 million from UTMB’s Hospital Cost Reconciliation), and the approved spend forward amount of \$48.6 million from fiscal year 2017. Note that fiscal year 2016 expenditures may be adjusted after UTMB’s Hospital Cost Reconciliation is completed in January/February 2017. Fiscal year 2017 figures above are taken from the General Appropriations Act and include the projected \$80 million biennial supplemental appropriation need.
3. Fiscal year 2018 and 2019 amounts include the LAR base requests, continued funding of the 4% item (\$40.5 million), and projected supplemental funding required for the delivery of services currently provided (\$150 million).

OVERALL CLIENT SERVICES EXPENDITURES - Medicaid and the Children's Health Insurance Program (CHIP)

2016			2017 Estimated			2018 Projected			2019 Projected			
	Expenditures	% of Total	Expenditures	Growth	% of Total	Expenditures	Growth	% of Total	Expenditures	Growth	% of Total	Average Annual Growth
Medicaid	\$28,657,561,765	97.1%	\$30,266,163,819	5.6%	97.0%	\$30,438,924,349	0.6%	96.9%	\$31,874,334,132	4.7%	96.8%	3.6%
CHIP	\$870,615,883	2.9%	\$943,513,172	8.4%	3.0%	\$986,652,226	4.6%	3.1%	\$1,058,237,602	7.3%	3.2%	6.7%
TOTALS	\$29,528,177,648	100.0%	\$31,209,676,991	5.7%	100.0%	\$31,425,576,575	0.7%	100.0%	\$32,932,571,734	4.8%	100.0%	3.7%

Annual Difference		Annual Difference		Annual Difference	
Medicaid	\$1,608,602,054	Medicaid	\$172,760,530	Medicaid	\$1,435,409,783
CHIP	\$72,897,289	CHIP	\$43,139,054	CHIP	\$71,585,376
Total	\$1,681,499,343	Total	\$215,899,584	Total	\$1,506,995,159

Notes

1. The table represents the most current projections of the Legislative Budget Board including assumed supplemental appropriations for fiscal year 2017 and caseload and cost growth in the 2018-19 biennium. Medicaid client services expenditures include amounts for full benefit clients including long-term care, dental, and transportation as well as amounts for non-full-benefit clients, Medicare payments, and transformation payments.