

**FOOD FOR
THOUGHT**



Increasing Access to Affordable Coverage

Jan. 24, 2023



TAHP
The Texas Association of Health Plans

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TAHP Team



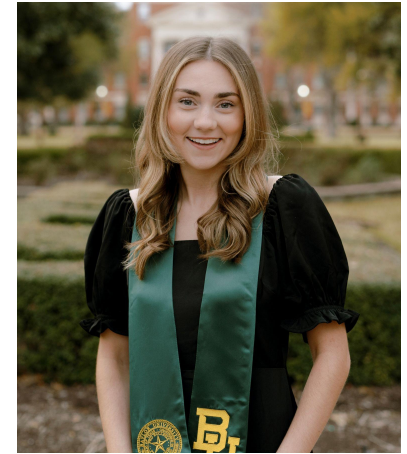
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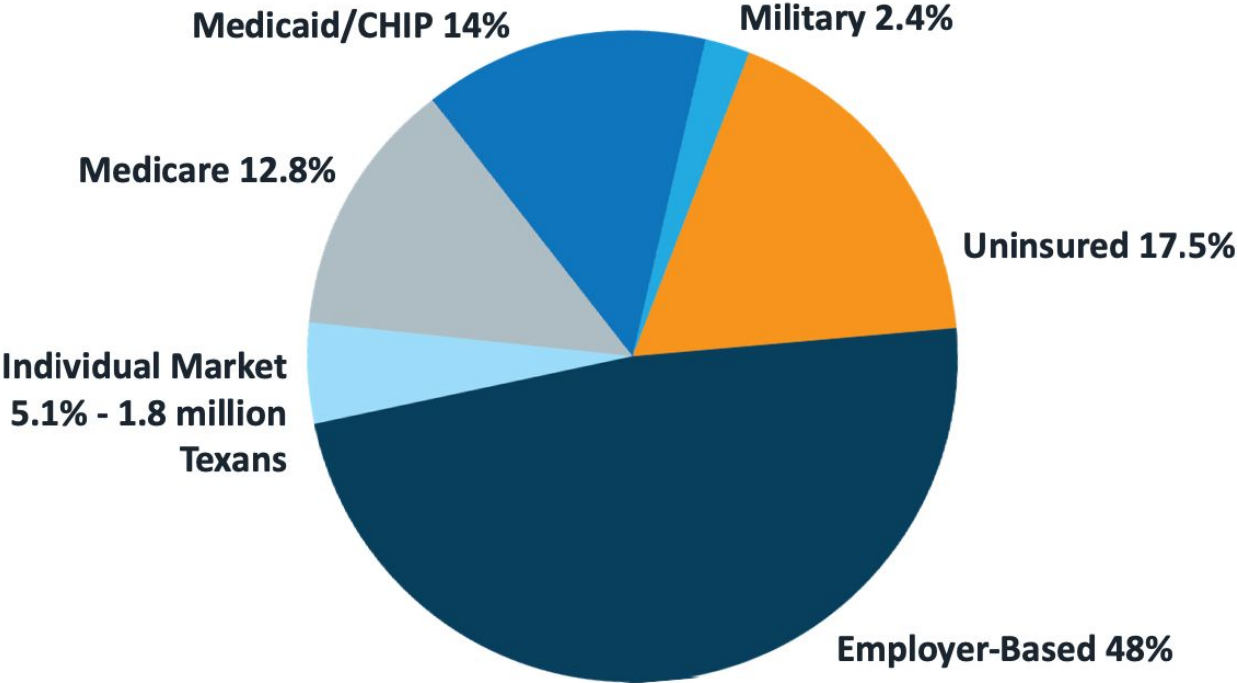
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Texas Health Plans Cover More Than 20 Million Texans



Health insurance helps keep families and communities healthy through:

- Medicaid
- Medicare
- Tricare
- Individual
- Employer

[Who We Are: One Pager](#) - Meet the Texas Health Plans



Texas: Most Competitive Health Insurance Market

The individual market provides affordable, high-quality health care for hardworking Texans who buy coverage on their own. Through the Marketplace, health insurance providers compete to provide Texans with coverage that protects their health and financial security.

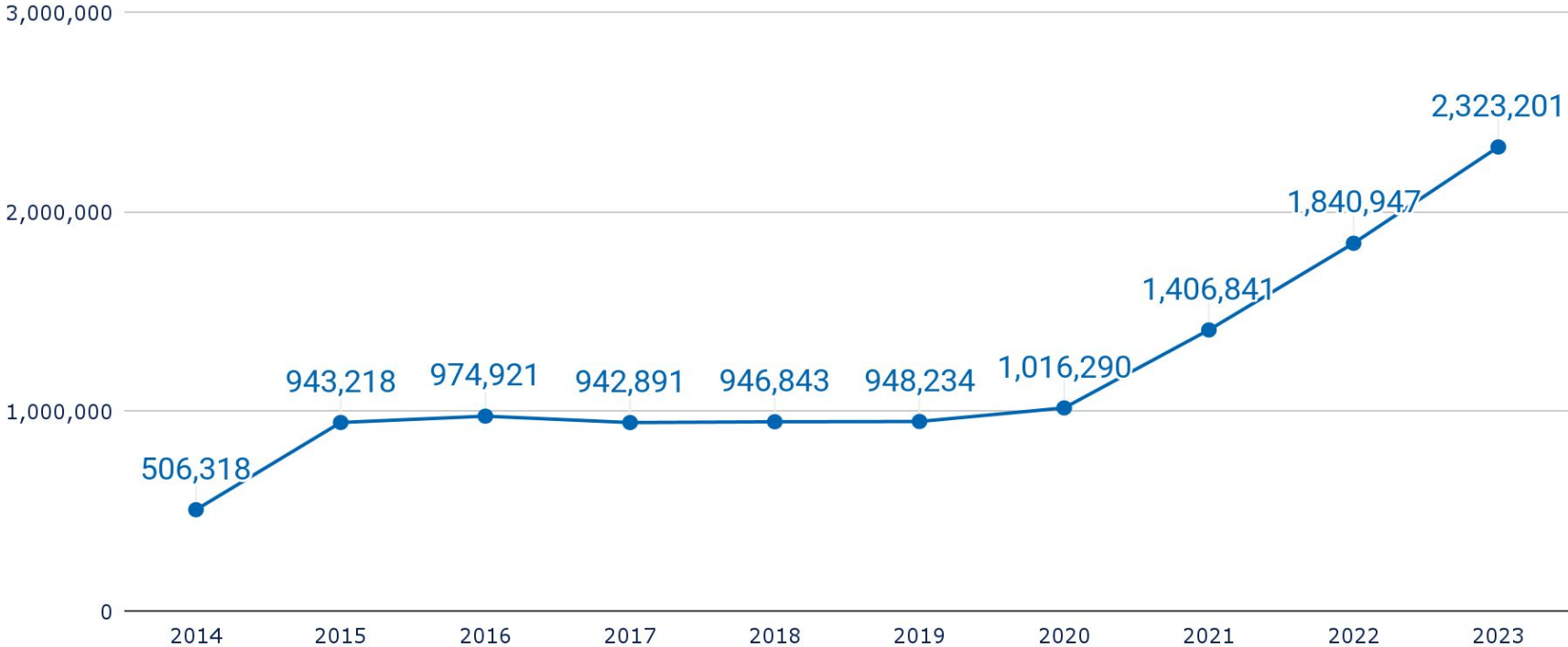
- **Competition among health plans continues to increase in Texas.** The number of plans serving Texans in the Marketplace is more than any other state: **15 for 2023**
- In 2021, **86%** of Texans had a choice of **3 or more health plans**
- Average monthly premium after tax credits: **\$86**

When affordability improves, coverage expands: Coverage in the individual market is working. A record high 2.3 million Texans have signed up so far for in 2023—more than doubling the number of covered Texans due to increased ARPA tax credits.



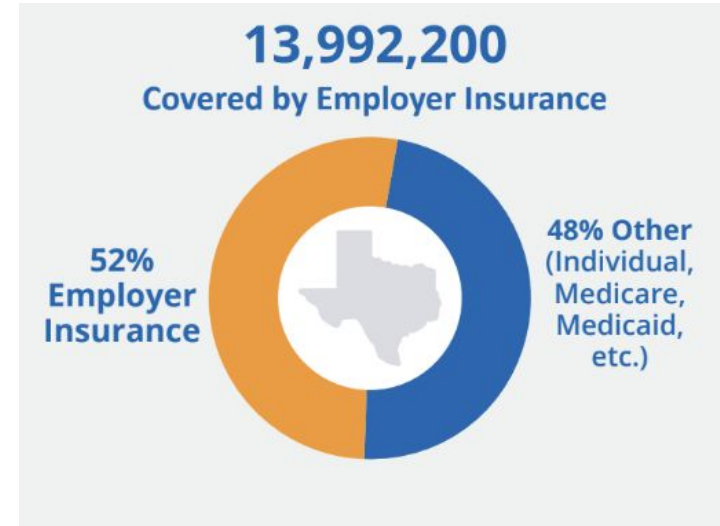
Some Good News – Texas Marketplace Enrollment

Texas Marketplace Enrollment Hits a Record for 2023



Employer Based Coverage – 14 Million Texans

- Health plans partner with Texas employers large and small to provide health coverage
- In a competitive labor market, offering high-quality, affordable, innovative coverage is part of many companies' talent recruitment and retention strategies
- **3 out of 4 employees** report that health insurance weighed into their decision to accept a job
- **Employers pay 83% of the coverage costs** for a single person, and 73% of the coverage costs for a family
- **86% of employees report they are satisfied** with their health insurance
- Texas is in the **top 25% of states** with the least consolidated large employer insurance market



Texas Medicaid – 5.5 Million Texans (4.3M Pre-PHE)

- Medicaid managed care is safety net health insurance that protects Texans who need it most, including children, mothers, grandparents, and Texans with disabilities.
- Texas partners with private health insurers to cover over **5 million Texans**, roughly 17% of the state's population. **97% of Medicaid in Texas is managed care.**

17%

of all Texans

25%

of all Texans on Medicare

51%

of all Texas births

45K

Texas children in foster care

47%

of all Texas children

50K

Veterans

58%

of nursing home residents



Texas Medicaid – 5.5 Million Texans (4.3M Pre-PHE)

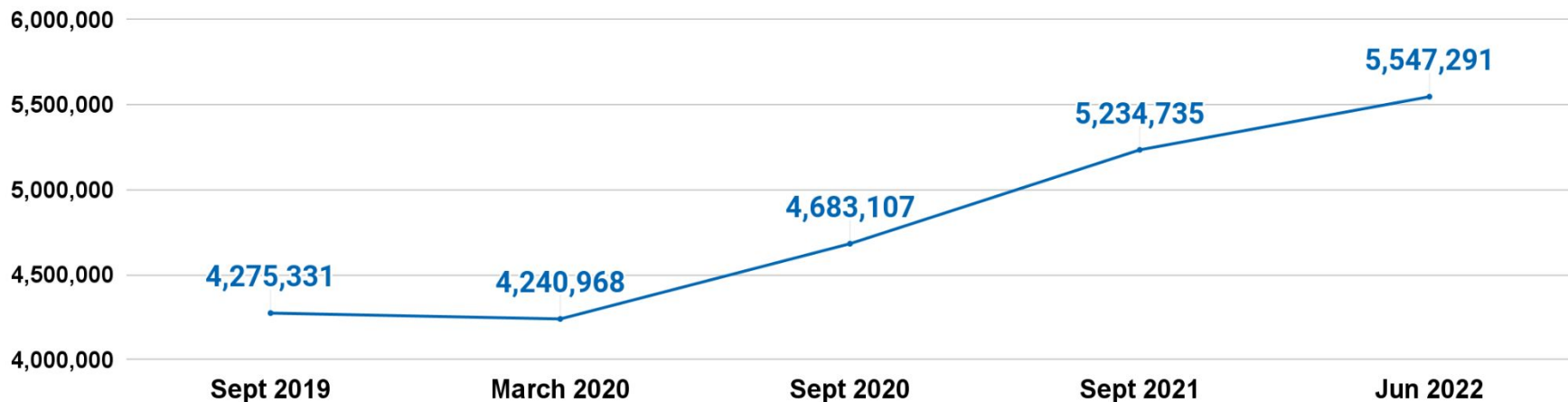
- Just like private coverage: Covers traditional medical expenses, but also **promotes preventive care and routine primary care** visits to keep Texans healthy
- **Provides services that go beyond the walls of a doctor's office**, including arranging transportation, coordinating meals, and navigating challenges with school and work
- Gives Texans with complex medical needs access to **health plan nurses that provide one-on-one support** and walks families through every step of the complicated and overwhelming health care system
- **Focuses more on community care instead of institutionalization**—keeping clients healthy in their homes and communities. Medicaid health plans ensure Texans have the care and services they need to lead healthy, active lives and **live independently in their own homes and communities.**



Managed Care Enrollment Set Records During Pandemic

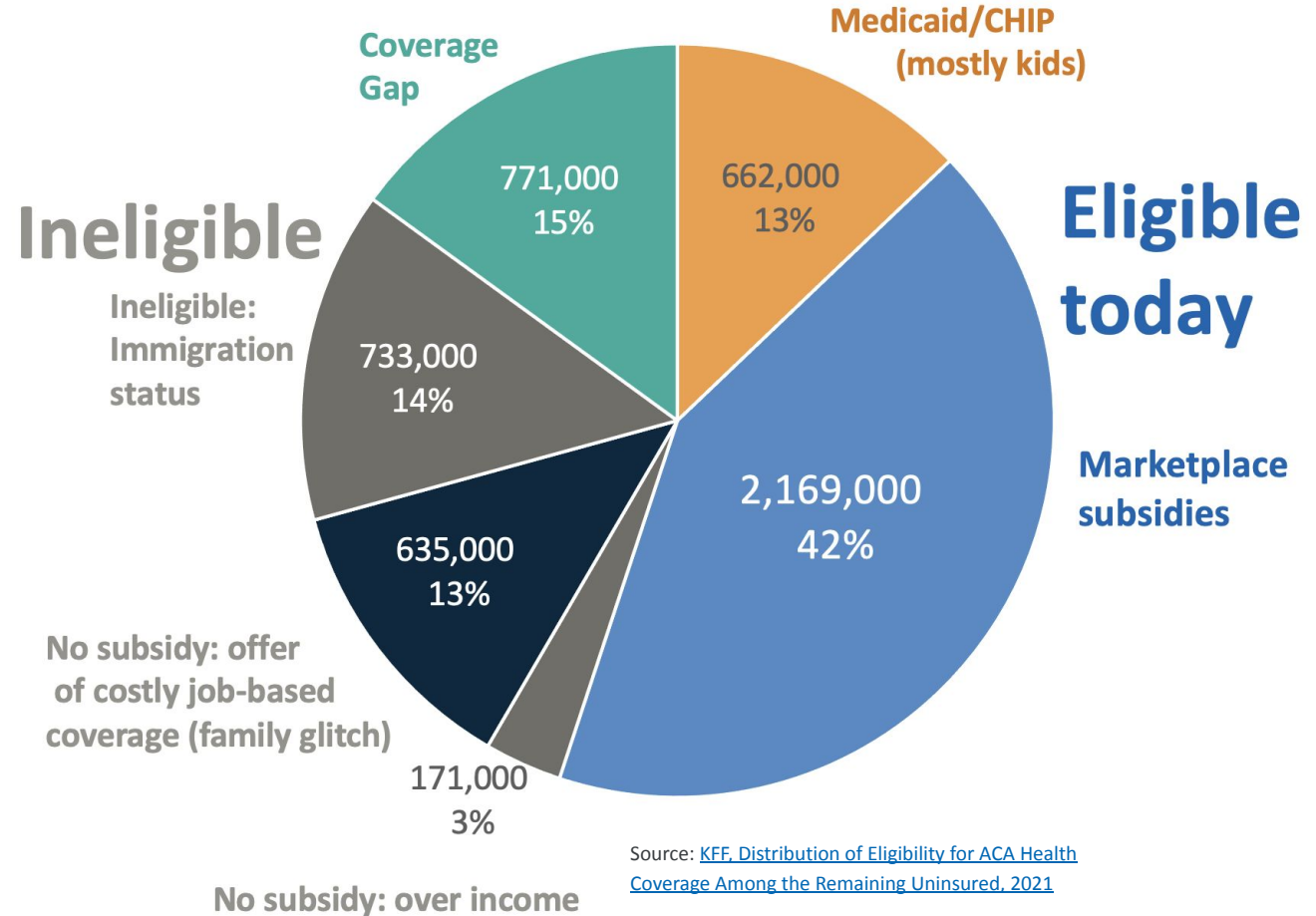
- Medicaid managed care plans rose to the challenge, covering an additional 1.5 million Texans
- By the end of the Medicaid unwinding, all 5.5 million Texas Medicaid recipients will need their eligibility redetermined or will risk losing coverage
- **Medicaid plans are providing eligibility support for the first time:** Texas Medicaid plans are stepping up once again to provide support to these families so qualified Texans do not lose coverage

COVID-19 Medicaid & CHIP Caseload Growth



Roughly 5 million Texans are uninsured.

- Texas has the nation's highest uninsured rate—about **18%** in 2021, compared to the national average of 8.6%.

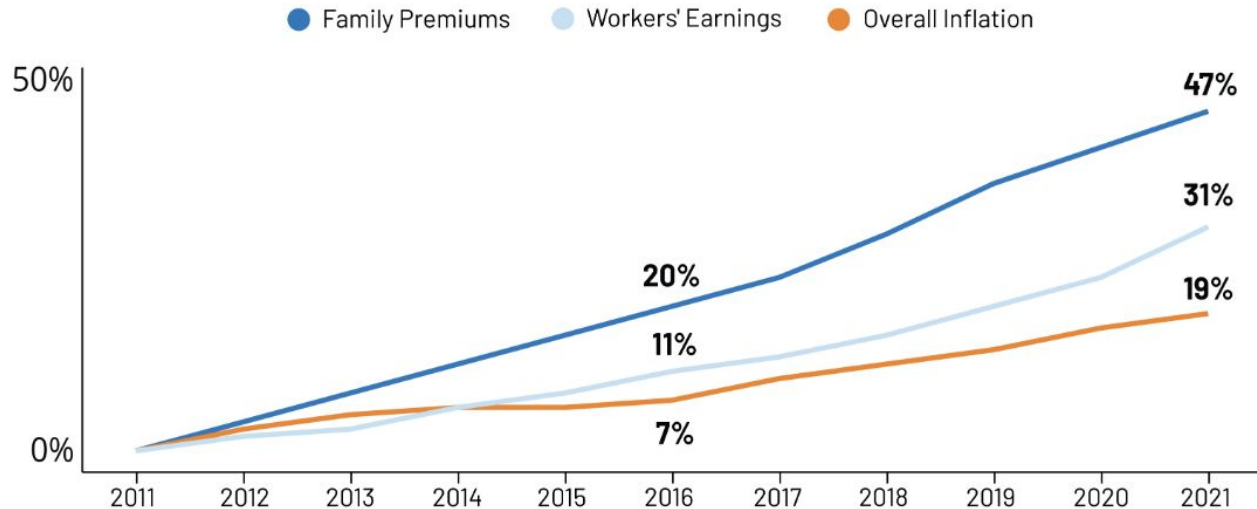




**Biggest
Threat to
Affordable
Coverage:
Prices**

Health Care Costs are the Biggest Threat to Coverage

Over Time, Family Premiums Have Risen Faster than Wages and Inflation



Annual family premiums for employer-sponsored health insurance rose 4% to average \$22,221, according to the 2021 benchmark KFF Employer Health Benefits Survey



What's Driving Spending in Private Market & What Can Be Done

7 Factors Driving Spending

1. Private Equity Involvement
2. ER Prices & Utilization
3. Hospital Consolidation & Markups
4. Price Gouging through Hidden Fees
5. Prescription Drug Costs and Overutilization
6. State Regulations that Limit Benefit Designs and Innovation
7. State Mandates that Increase Spending



Health care price increases alone are responsible for more than 75% of the growth in the private market seen in health care spending over the past decade. (not utilization, not technology, not patient health)

[Source: Health Care Cost Institute 2021](#)



Out of Control Prices in the Private Market

- **Health care prices are irrationally high and have huge variation.** Even for routine care, the price tag is rarely clear.
- In Dallas, removing a gallbladder can cost less than \$5,000 or more than \$35,000, depending on which hospital you choose.
- **Hospitals in Texas charge employers double what it costs to break even**—more than 3 times Medicare—forcing employers and families to pay millions of dollars more than needed.
- Hospitals are marking up life-saving drugs, like cancer drugs, by more than 200% over their purchasing costs.
- **There is clear evidence that health care consolidation and abusive, anticompetitive tactics leads to higher prices.**
- Instead of incentivizing affordable quality care, our health care system is designed to maximize profits. Hospitals and private equity-backed staffing firms charge the highest prices they can get away with.



How much? Hospitals mark up some medicines by 250% on average



By [Ed Silverman](#)  Jan. 20, 2021

[Reprints](#)



As Americans grapple with the rising cost of prescription drugs, a new analysis found that some hospitals mark up prices on more than two dozen medicines by an average of 250%, underscoring the incentives to use more expensive brand-name treatments than lower-cost biosimilars.

Private Equity's Role in Health Care Prices

When private equity comes in to health care the results are bad for costs and bad for patients.

- **Anesthesia**—Anesthesia services provided under private equity control cost 26% more. [*Source: Journal of the American Medical Association, February 2022.*](#)
- **Gastroenterology**—A gastroenterology group is aggressively buying up clinics with private equity backing—resulting in new facility fees and higher prices for preventive colonoscopies. [*Source: Kaiser Health News, May 2022.*](#)
- **Rural Hospitals**—In some states, private equity groups have bought up rural hospitals, turned a profit, and then shut them down. [*Source: Buy & Bust, When Private Equity Comes for Rural Hospitals, June 2022.*](#)
- **ER**—In depositions, one PE backed ER staffing firm admitted to charging 9 times the Medicare rate for emergency care. [*Source: Pro Publica, June 2020.*](#)



Fallout from Hospital Consolidation

Higher Prices & New Surprises Without Better Quality

- **HIGHER PRICES:** Hospitals with no competitors within a 15-mile radius have prices 12% higher than hospitals in markets with 4 or more competitors, resulting in an average increase of over \$1,000 per year for families and \$370 per year for individuals enrolled in employer-provided coverage. [*Source: National Bureau of Economic Research, May 2018.*](#)
- **QUALITY UNIMPROVED:** “Hospital acquisition by another hospital or hospital system was associated with modestly worse patient experiences and no significant changes in readmission or mortality rates.” [*Source: NEJM, January 2020.*](#)
- **DOCTORS ACQUIRED:** “40% of patient care physicians worked either directly for a hospital or for a practice with at least partial hospital or health system ownership in 2020, up from 34.7% in 2018 and 29% in 2012.” [*Source: American Medical Association.*](#)
- **ABUSIVE FACILITY FEES:** In one example, the cost of a woman’s arthritis treatment increased by 1000% when a hospital system acquired the practice & added a facility fee, even though the location was unchanged. [*Source: KHN, December 2021.*](#)



Healthier Texans through Healthier Markets

- #1. Give patients a complete price picture with transparency from all health care providers and facilities:** In 2021, Texas lawmakers created hospital price transparency laws and required health plans to publish all of their negotiated prices. But that's where price transparency ends. Consumers still lack complete picture to window-shop for most health services.
- #2. Allow health plans to create market-driven, innovative shopping incentives to reward patients who shop for the best value care.** While new federal rules encourage health plan arrangements that incentivize patients to shop for low-cost, high-value providers, Texas prohibits these benefit designs. Texas insurers can't use innovative solutions like lower out-of-pocket costs to reward patients for being smart shoppers.
- #3. Reform state laws to legalize value-based care arrangements between health plans and providers:** Health care service delivery is shifting to value-driven concepts like "advanced primary care," where one clinic handles all primary and urgent care for a monthly fee. Texas law prohibits this type of innovative design for most health plans.



Healthier Texans through Healthier Markets

- #4. Prohibit anti-competitive contracting terms:** When health systems and private equity controlled provider groups take over health care markets, they can demand contract terms that inflate prices and choke out competition.
- #5. Ban abusive facility fees:** When a consolidated system or private equity firm takes over a physician's office, patients often see excessive new facility fees added—even though the site of service never changed. Medicare bans the practice if the service takes place more than 250 yards away from the hospital facility - estimated to save up to \$672 billion nationally over 10 years.
- #6. Stop private equity controlled providers from abusing network adequacy laws to increase prices for Texas patients:** Throughout the state, private equity groups are amassing anti-competitive market shares and then leveraging network adequacy requirements to demand excessive payment agreements. Without waivers or exemptions, health plans must enter agreements with these groups regardless of the cost.





Biggest Threat to Affordable Coverage: Mandates

What is a mandate and why should you care?

Mandates are legislation that require Texas employers and individuals to pay more for their health insurance coverage by forcing insurance companies to:

- **Pay for extra benefits & extra regulations above the Affordable Care Act**
- **Pay higher prices**
- **Contract with more expensive providers**

The result is more expensive health insurance, often with no additional value for Texans and Texas employers.

In recent sessions, employers have faced a flood of filed and passed mandates that increase the cost of coverage, **last session was a new high-water mark**

What's worse? The Legislature typically exempts their own personal health coverage through ERS and other state-funded coverage because of the costs, but passes these costs on to other Texas employers.



TAHP opposes mandates and over regulation that:

- #1:** Increases the cost of coverage
- #2:** Exempts legislators' personal health coverage through ERS and other state-funded coverage to avoid the cost
- #3:** Isn't evidenced-based and backed by the medical community
- #4:** Rewards price gouging and stands in the way of efforts to lower prices
- #5:** Narrows coverage options and limits flexibility of benefit design
- #6:** Doesn't address a problem or is already being covered
- #7:** Allows fraud, waste, and abuse



Texas Has a Mandate Problem and it Decreases Access

- **3rd in the nation:** Texas has more mandates above the Affordable Care Act than almost any state
- This interference in the private market makes it harder for employers to stand out in a competitive job market
- Small business owners in Texas rank the cost of health insurance as their single biggest problem every year since 1986
- **77% of Texas employers** want more flexibility to contain costs
- **Three-quarters of Texas employers** say they oppose legislative mandates that interfere with how they design benefits for employees
- **Nearly 60% of Texas employers** want the option to purchase insurance that has fewer mandates
- **Why this matters: 98%** of large employers in Texas provide coverage, but **only 50% of small businesses** do – small employer coverage has declined by 17% in the past 20 years



Employers are Fleeing State Regulated Markets

- Government mandates and over regulation are driving up the cost of state regulated health insurance
- As a result, employers are moving away from fully insured plans to lower cost self-funded plans to escape these costs and onerous state mandates that restricts innovation
- Through these “self-funded” arrangements, also called ERISA plans, employers aren’t subject to onerous state mandates and one-size-fits-all coverage that restricts innovation
- This is hurting the fully insured market by decreasing competition, driving up costs, and limiting options.
- In the past 20 years, there has been a 35% increase in employers moving to self-funded plans, with a 56% increase for small businesses with under 100 employees
- This trend is expected to continue as long as government mandates and regulations continue to make fully insured plans more expensive



Fewer Mandates and More Affordable Coverage Solutions

- #1. Avoid new mandates and over regulation** that raise the cost of coverage
- #2. Texas lawmakers shouldn't pass mandates** that don't apply to their own personal health insurance and state-covered health plans (ERS and TRS)
- #3. Protect ERISA flexibility** – Oppose any legislative attempts to add costly mandates on self-funded (ERISA) employers
- #4. Build more affordable coverage options** that avoid overregulation and mandates. Allow insurers to sell mandate-lite coverage through “Consumer Choice of Benefits” plans, which are more affordable for employers and families.
- #5. Require a fiscal review for new mandates:** Before approving a new mandate, other states have processes to carefully review the full impact of mandates on businesses and families



Increase Access to Affordable Health Coverage in Texas



The Value of Coverage

Research shows that individuals with health insurance coverage have better health outcomes and access to care than those without

- However, Texas currently has the highest rate of uninsured individuals in the country, with 18% lacking coverage
- This is more than double the national average and puts many Texans at risk for poor health outcomes, late stage diagnoses, and higher mortality rates
- Uninsured people are far more likely than those with insurance to postpone health care or forgo it altogether
- People without health insurance are more likely to skip preventive services and report that they do not have a regular source of health care
- New mothers who have consistent access to Medicaid and private insurance coverage have healthier babies and lower mortality rates
- Children with Medicaid do better in school, miss fewer school days, are more likely to finish school and achieve higher education, have fewer ER visits as adults, and have higher earning potential



Uninsured in Texas

- **42%** of uninsured Texans are eligible for very affordable private market coverage (Marketplace subsidies), but over 70% are not aware they are eligible
- **13%** of uninsured kids are already eligible for Medicaid/CHIP coverage
- **13%** of uninsured Texans are in the family glitch – Recently been fixed
- **56%** of uninsured Texans are part of families that include one full-time worker
- **98%** of large employers in Texas provide coverage, but **only 50% of small businesses** do – small employer coverage has declined by 17% in the past 20 years
- **Over 50%** of uninsured Texans cite employment as the main reason they are uninsured – Top reason Texans blame on being uninsured is currently not being employed (30%) – Second reason is their employer does not provide coverage (27%)



Increase Access to Affordable Health Coverage in Texas

- #1: Increase outreach and education to uninsured Texans about the availability of affordable coverage:** Most uninsured Texans qualify for a government health program or for federal subsidies that would help pay for private coverage. The fastest way to reduce the rate of the uninsured is to educate Texans about the availability of very low cost or free coverage and remove barriers to signing up for this coverage.
- #2: Explore options to lower the cost of health coverage for small businesses:** While nearly all large employers offer health care benefits, less than half of businesses with fewer than 10 employees offer coverage. In a recent survey from the Texas Association of Business, employers say that health care is the top benefit for attracting employees and costs are the number one impediment.



Increase Access to Affordable Health Coverage in Texas

- #3: Extend postpartum Medicaid coverage to 12 months:** Access to health care for a full year postpartum is one of the best ways we can address maternal mortality. Texas should join the majority of states and extend Medicaid postpartum coverage to a full year.
- #4: Simplify the Medicaid enrollment process for children and increase outreach to parents:** An estimated 400,000 Texas children are eligible but not enrolled in Texas Medicaid. By simplifying the enrollment process, we can bring coverage to Texas children who already qualify for Medicaid coverage.



Continue to Advance Managed Care Success



MCOs' Proven Track Record in Texas

MCOs Produce Savings

- Texas Medicaid managed care **saved taxpayers more than \$5 billion (from 2009 to 2017)**
- Texas Medicaid is more efficient and costs less than U.S health care spending—**13% lower than the national average**—and lowest administrative costs in the country—90% of every dollar is invested in direct care
- As a result of Medicaid managed care, prescription **drug cost growth dropped by 50%** and is now three times better than the national average
- **Texas' managed care 1115 waiver savings financially enables supplemental payment programs** and provides financial stability to hospitals and the state's health care safety net

MCOs Improve Access and Outcomes

- **Dramatically** reduced preventable hospital admissions, including expensive chronic diseases like asthma and diabetes by 35%
- **Reduced preventable ER visits** by 16% since 2013
 - **Reduced preventable ER visits in STAR Kids by 6%** in first year of implementation
- **90% of expectant moms** receive timely prenatal care (FFS: 14%, 2003)
- **90% of kids** receive at least one doctor's visit a year (FFS: 25%, 2003)



Continue to Advance Managed Care Success

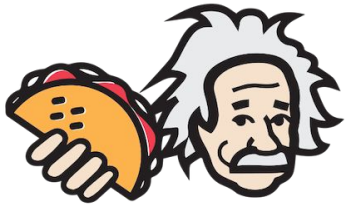
- #1: Oppose any further delays in the Medicaid Preferred Drug List (PDL) carve-in:** The prescription drug benefit in Texas Medicaid is heavily influenced by pharmaceutical companies, causing higher costs, physician administrative burdens, and delays in access to necessary medications. This implementation has already been delayed 10 years due to pharmaceutical lobbying. Allowing managed care organizations to fully manage the Medicaid PDL, as scheduled, would improve patient care, save taxpayer dollars, and modernize the Medicaid system. States with managed care coordination of drug coverage save 21% compared to states that do not use managed care.
- #2: Allow managed care plans to permanently assist with eligibility through the Case Assistance Affiliates program:** Allowing Medicaid managed care plans to permanently assist with eligibility will not only reduce administrative burden on HHSC, but also allow Texas families to turn to trusted sources for assistance.



Continue to Advance Managed Care Success

- #3: Cover the full continuum of mental health benefits in Medicaid:** In the private market, parity laws require comprehensive coverage of mental health services. However, Texas Medicaid does not provide the same level of care, leaving a significant gap in coverage. Medicaid only covers the extremes of mental health—therapy or inpatient hospitalization, and does not consistently offer other mental health services, such as home and community-based care. Expanding Medicaid coverage to include a full range of mental health services will improve access to care for families and prevent the need for more intensive, costly hospital-based treatment.
- #4: Expand Medicaid texting options to allow Medicaid MCOs to easily communicate with families:** The current “opt-in” process for texting and email on the eligibility application can be confusing, leading to missed opportunities for important communication. By switching to an “opt-out” option, we can streamline the process and make it simpler. Expanding texting options in Texas is a simple but powerful step that would have a big impact for families all across our state.





FOOD FOR THOUGHT



Questions?

