



Texas Association of Health Plans
1001 Congress Ave., Suite 300
Austin, Texas 78701
P: 512.476.2091
www.tahp.org

March 30, 2023

Dear Chairman Harless and Members of the House Select Committee on Health Reform,

The Texas Association of Health Plans (TAHP) is the statewide trade association representing health insurers, HMOs, Medicaid managed care, and other health plans that serve over 20 million Texans. This includes representing the health insurers that offer coverage to individuals on the federal exchange, or “Marketplace.”

TAHP is neutral on HB 700 with concerns that the policy is crafted carefully to mitigate unintended consequences and avoid market disruption. While a state-based exchange may create some opportunities to identify cost savings that could be used to further increase affordability, the concept does come with some risks of destabilizing the strong and growing market in Texas.

A [record-breaking 16.3 million](#) Americans enrolled in Affordable Care Act (ACA) plans for 2023. Florida had the highest number with 3.2 million and Texas followed with 2.4 million. Texas enrollment hovered around 1 million from 2015 to 2020 but significant premium subsidies have soared enrollment to 1.4 million in 2021, 1.8 million in 2022, and now 2.4 million this year.

Texas—along with Florida and 31 other states—uses the federal [healthcare.gov](https://www.healthcare.gov) exchange to facilitate these massive enrollment efforts. HB 700 would replace healthcare.gov—and all of its enrollment and eligibility functions—with a newly established state-based exchange. Texas enrollment in the marketplace grew 31% this year, an impressive number even beyond the large increases in 2021 and 2022.

The record number of sign-ups and plans participating shows that using the federal marketplace in Texas works. The state should tread very carefully when it comes to altering the operations of the exchange. Increased sign-ups show there is a demand for health care coverage when affordable options are offered. Increased subsidies for ACA plans and policy changes such as fixing the “[family glitch](#)” made coverage affordable for many of Texas’ previously uninsured.

In addition to the record-breaking number of Texans signing up for ACA coverage, more health plans have entered the market. Texas leads the nation with 15 plans offering marketplace



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coverage in the state. At one point, market viability concerns left just 8 insurers in the marketplace. Since then, Texas has steadily increased the number of insurers offering coverage in the individual market, but more importantly, the number of counties with just one insurer offering coverage has steadily declined. In 2019, there were 88 counties with just one insurer. For 2023, the number of counties with one insurer is just 28. While that leaves more work to be done, TAHP is optimistic that a strong state-based exchange with affordable coverage options will continue to lead to more marketplace insurance options and competition among health plans.

Policies like a state-based exchange or 1332 coverage waiver could build on these successes but should not be implemented in a way that would create market instability, increase costs, or reduce competition and access. The state should look for reforms in the insurance market that further reduce the number of uninsured and lower costs.

Off-the-shelf technology now available through vendors makes it easier and cheaper to establish a state-based exchange than it was several years ago. Transitioning to a state-based exchange, however, remains an enormous undertaking, requiring a significant state effort. Moving to a state-based exchange brings the possibility of state innovation, but there is no guarantee that the state's policy objectives will be met or that the state will achieve the savings assumed by transitioning to a state-based exchange. The Legislature should carefully study the option of operating its own exchange and consider it as an opportunity to innovate in the individual market in ways that could increase affordable coverage, choice, and competition.

Should Texas leaders determine that moving to a state-based exchange is in the best interest of Texans, they should consider the following as they decide how best to transition to a state-based exchange.

- 1. Develop a comprehensive approach to covering the uninsured in Texas with specific targets for increased enrollment across health coverage programs.** A Texas state-based exchange should be part of a plan to improve access to coverage and should set targets for increased enrollment across the marketplace, Medicaid, and CHIP. Texas should also leverage the establishment of an state-based exchange to advance broader policy changes, such as additional subsidies to make coverage more affordable. Any plan to transition to a state-based exchange should also protect consumers from subpar health plans and problematic web-broker and insurer marketing practices.



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2. **Give the Texas Department of Insurance the ability to enforce Affordable Care Act market rules.** States with their own exchanges must certify that health plans adhere to ACA rules. TDI will need both the authority and sufficient staff to enforce ACA market reforms. Texas is one of only four states that does not enforce ACA market rules.
3. **Make sure the state-based exchange is prepared to at least match the user experience on the federal marketplace and identify improvements the state-based exchange can make right away.** Texas should ensure that funding for a state-based exchange is sufficient to provide robust consumer services, like call center operations, and to improve upon the user experience, for example by streamlining enrollment and boosting outreach and enrollment assistance.
4. **Prioritize significant investments in marketing, outreach, and enrollment assistance.** Any state-based exchange in Texas should aim to outperform HealthCare.gov in investments in marketing, outreach and enrollment assistance. Robust marketing and outreach are critical components, not only for promoting enrollment, but also for fostering a healthier risk pool, maintaining a stable market, and lowering premiums.
5. **Be informed by recommendations from a formal commission.** The Texas legislature should establish a formal commission with diverse stakeholders to study the feasibility of developing a state-based exchange under the Affordable Care Act, estimate the cost of providing high-quality services, and make recommendations to the legislature.
6. **Ensure readiness prior to launch by establishing readiness criteria and conducting an audit.** The Department and Commission should work together to establish readiness criteria for the exchange. Establishing clear standards for readiness will help the state avoid the significant problems that other states have encountered in establishing their own state-based exchange. Testing should also be conducted at least six months before the first enrollment cycle. Finally, an audit should be conducted to ensure that coverage is not disrupted during the rollout. Given the time needed to plan, establish, and test the exchange, we recommend having the first enrollment cycle beginning in 2025 for the 2026 plan year.



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In addition to these principles, we have provided lengthy technical changes to the author that are derived from experiences in other states that have transitioned to a state-based exchange. It is our understanding that once the state has initiated the establishment of a state-based exchange it will be difficult (if not impossible) to reverse course.

Sincerely,

M. Blake Hutson

Blake Hutson

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