

Texas Health Care Mandates Drive Up the Cost of Coverage



What is a mandate and why should you care?

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

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

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

5th highest premium hikes in 2022: After last session, Texans faced 13% increases while national premiums were flat—the result of government mandates and out-of-control prices.

3rd in the nation: Texas has more mandates above the Affordable Care Act than almost any state.

Leading on High-Cost Mandates: Texas has mandates that few or no other states have. For example, Texas mandates that your formulary can't be updated if a new, more affordable prescription alternative comes on the market. This increases the cost of prescription drugs.

Just 3 states have this mandate.

Case Study: Mandates Drive Up Drug Costs (HB 1919)

- This anti-competitive law keeps patients from learning about lower-cost pharmacy options and forces some insurers to contract with higher-cost pharmacies.
- Under the law, Texans aren't getting information about lower-cost options like easy mail-order options that help improve adherence to prescriptions for chronic conditions.
- Adding the mandate to teacher health plans alone would **cost the state budget \$70 million**, so teachers, lawmakers, and state employees were exempted from the law at the last minute.
- For the rest of Texans, the result is higher prescription costs and higher premiums, **an estimated \$350 million** more in the first year alone and \$4.4 billion in the first decade.



The Solutions:

- Texas lawmakers shouldn't pass mandates onto employers and families that don't apply to their own health insurance and state-covered health plans (ERS, TRS, and Medicaid).
- Oppose any legislative attempts to add costly mandates on self-funded (ERISA) employer-provided health coverage.
- Allow insurers to sell mandate-lite coverage through "Consumer Choice of Benefits" plans, which are more affordable for employers and families.

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Texas Employers Need More—Not Less—Control Over Health Care Costs

More than half of Texans receive coverage through their employer. This coverage supports job creation and increases access to care. According to Texas employers, health care is the most important benefit for attracting and retaining employees.

But health care costs are too much, and Texas employers blame health care prices and too many government regulations and mandates.

- **87% of Texas employers** say that health care costs are rising at an unsustainable rate.
- Even with today's significant inflationary pressures, employers say health care costs are rising faster than raw materials, equipment, utilities, taxes, and general inflation. It is unsurprising then that **78% of Texas employers** rank healthcare costs as one of the top issues affecting their business.
- **77% of Texas employers** agree that the legislature should give employers 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.

Texas Laws Restrain Innovative Health Plan Designs that Encourage Shopping and Lower Prices

- The federal price transparency rules allow insurers to use incentives, such as lower deductibles, to encourage shopping for lower cost, higher value providers.
- **But Texas prohibits insurers from incentivizing patients** to “shop for” low-cost, high-quality providers. Insurers can't use innovative solutions like lower out-of-pocket costs to reward patients for being smart shoppers.
- 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.
- **But Texas law prohibits most health plans** from entering into capitated value-based care arrangements with providers.

