



Health Insurance 101

Fall 2024

TAHP
The Texas Association of Health Plans

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Why Texans Need & Want Health Coverage

High Cost of Care Without Insurance: Without insurance, medical costs can quickly escalate into significant financial burdens, potentially leading to debt or bankruptcy.

- **NICU Admissions:** \$77,132.90 median cost
- **Breast Cancer Treatment:** From \$82,121 for stage 1 to \$134,680 for stage 4
- **Heart Bypass Surgery:** Up to \$200,000
- **Hospital Stays:** Average 3-day stay costs \$30,000
- **Median New Drug Price 2023:** \$300,000 up 35% from 2022 (2008 was \$2,000)

Texans Want Coverage: According to the TX 2036 Uninsured Poll, **just 11% of Texas uninsured** cite a personal choice, showing overwhelming demand for coverage among uninsured Texans.

Texans Buy Coverage When It's Affordable: Since 2021, the number of Texans buying coverage **has soared by 170%**, from 1.3 million to 3.5 million, following a 58% reduction in the cost of monthly premiums—from \$120 per month to \$50 per month (after subsidies).

Why Texans Need & Want Health Coverage

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

- Uninsured 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.
- Uninsured patients have an increased risk of being diagnosed at later stages of diseases and have higher mortality rates.

Texans with a health plan get the preventive care they need compared to the uninsured:

- **20% more likely** to get early detection screenings for colon cancer.
- **2.5x more likely** to get a mammogram.
- **2x as likely** to control their blood pressure as those without health insurance.
- **3x more likely** to receive treatment for high cholesterol.

What is insurance?

Fully-Insured Coverage: Health insurance from a licensed insurer that assumes financial risk in exchange for a fixed monthly premium.

- Employers, families, or individuals pay a set premium annually split into monthly payments.
- The insurer manages the risk and covers medical expenses.

Regulation:

- **Governed by state insurance laws and federal regulations from CMS, HIPAA, and ACA**
- **Applicable to individual market plans, Medicaid managed care, Medicare Advantage, and some employer coverage**

What is Self-Funded or ERISA Coverage?

The employer (plan sponsor) bears full or partial financial risk for employee health benefits, paying claims as they arise, instead of an insurer.

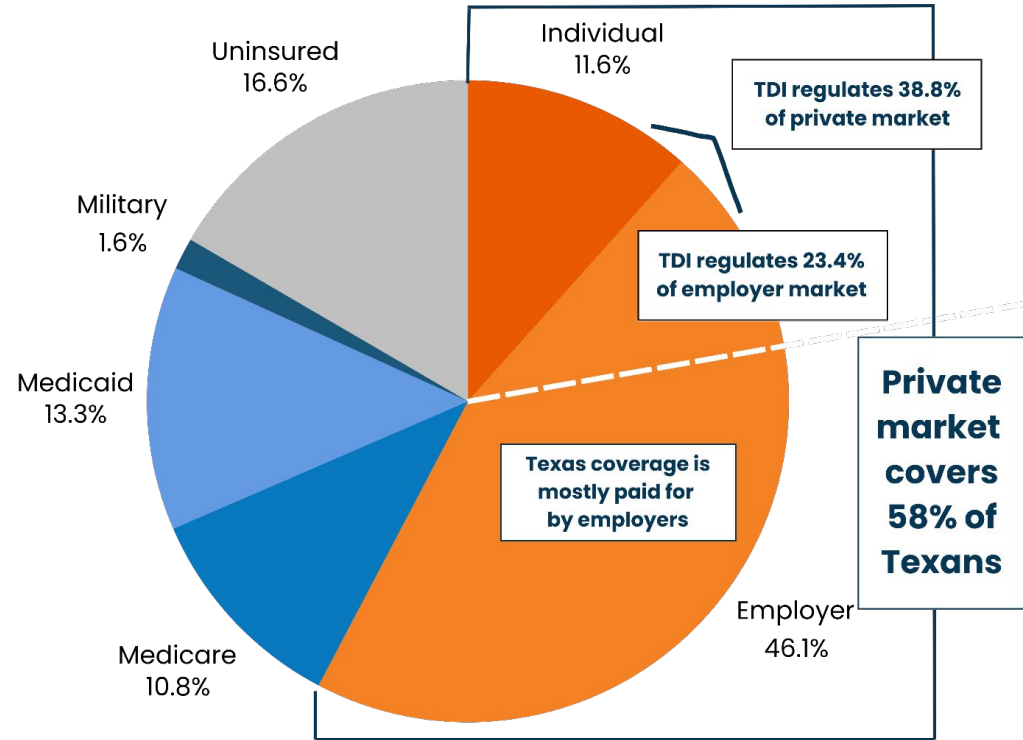
- Usually managed through a licensed 3rd party administrator (TPA) or insurer and sometimes includes stop-loss coverage for catastrophic loss protection (level funding)
- These popular alternatives to “insurance” allow more flexibility and innovation for employers to manage health care spending and employee incentives.

Regulation:

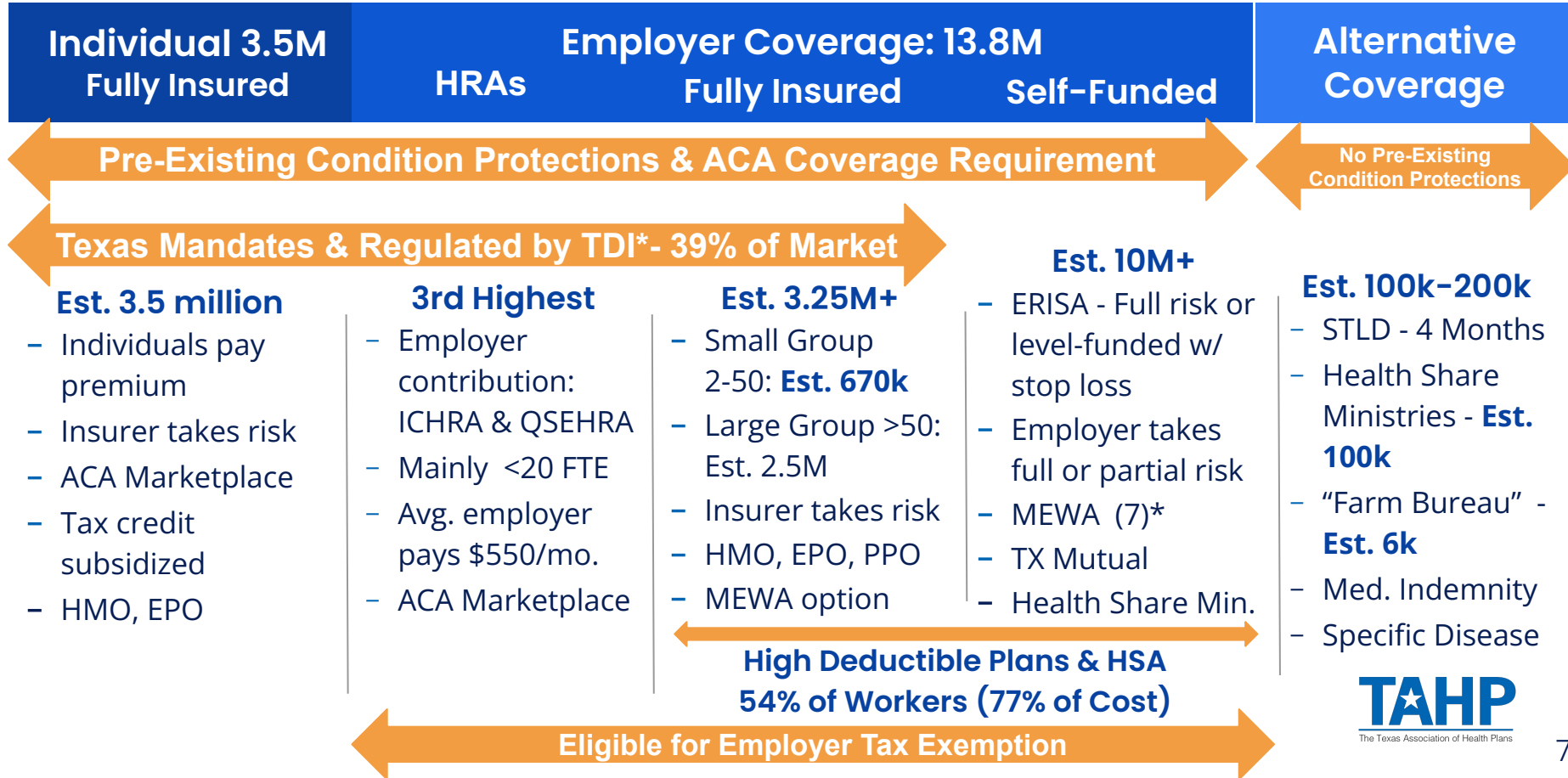
- **Governed by federal law under ERISA**
- **The ERISA “deemer clause” prohibits states from regulating plans that are self-funded (they are not “the business of insurance”)**
- **Oversight primarily by the U.S. Department of Labor’s EBSA, with some roles for CMS and IRS**

Private Health Coverage Snapshot

- **80%** of private market coverage is employer-based
- **84%** of Texas workers have an employer that provides coverage
- **77%** of employer plans are self-funded (not regulated by TDI)
- **Individual market** coverage is increasingly popular as subsidies improve affordability
- **Uninsured Texans** cite employment as the top reason for not having health coverage
- **70%** of the uninsured are employed but less likely to have consistent, full-time jobs



Types of Private Coverage In Texas



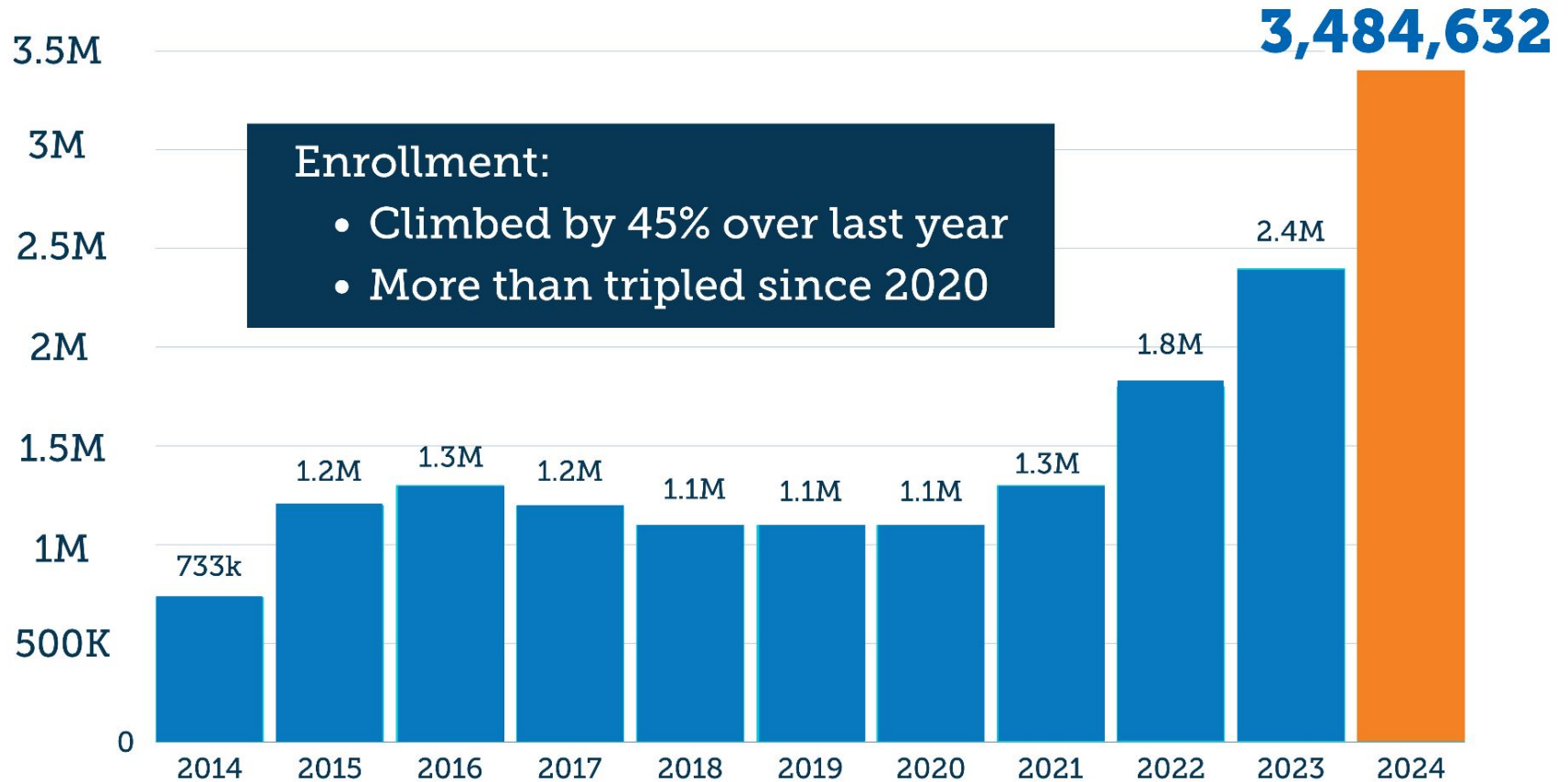
Texas Has A Strong Individual Health Insurance Market

The individual market provides affordable, high-quality health care for Texans who buy coverage on their own.

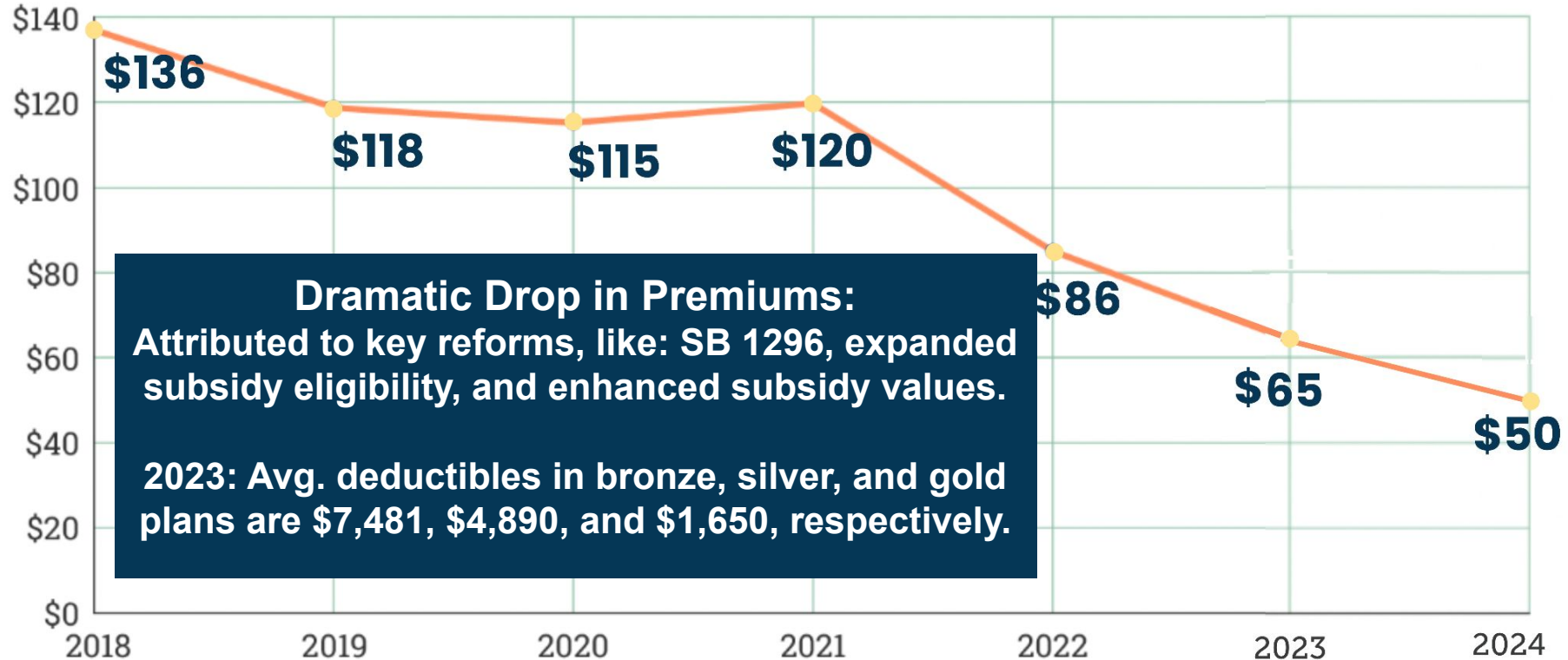
When affordability improves, coverage expands.

- **Since 2021, the number of Texans buying coverage has soared by 170%**, from 1.3 million to 3.5 million, following a 58% reduction in the cost of monthly premiums—from \$120 per month to **\$50 per month** (after subsidies).
- **Competition among health plans continues to increase in Texas.** The number of plans serving Texas in the Marketplace, more than any other state: **15 for 2024**
- In 2024, **more than 90%** of Texans had a choice of **3 or more health plans**
- Roughly 94% of Texans receive subsidies in the individual market.
- **Cost sharing reductions (CSR)** help 49% of Texans with marketplace coverage lower their out-of-pocket costs (in addition to premium subsidies). CSRs are available between 100% and 250% of the poverty level and for enrollees who choose a silver level plan.
- **Average broker compensation** for ACA enrollment is now \$400 per year – \$25 per month (up from \$120 a year in 2018).

2024 Texas Individual Marketplace Record Setting #'s



Avg. Individual Monthly Premium After Subsidies (Silver)

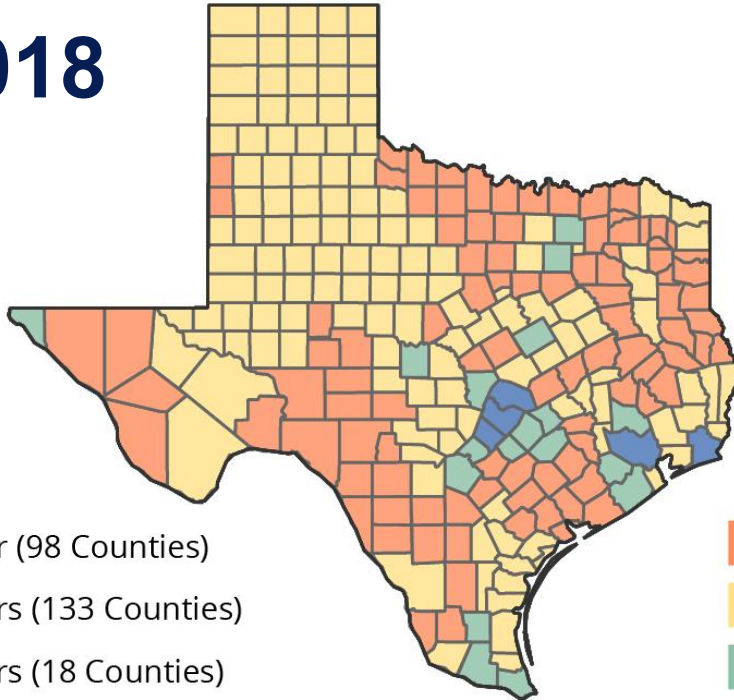


Texas Leads All States in Competition in Individual Market with 15 insurers, Up from just 8 in 2020

Location	Number of Issuers in 2019	Number of Issuers in 2020	Number of Issuers in 2021	Number of Issuers in 2022	Number of Issuers in 2023	Number of Issuers in 2024
1. Texas	8.0	8.0	10.0	15.0	15.0	15.0
2. Wisconsin	12.0	12.0	13.0	13.0	12.0	13.0
3. California	11.0	11.0	11.0	12.0	12.0	12.0
3. New York	12.0	12.0	12.0	12.0	12.0	12.0
3. Ohio	9.0	9.0	9.0	9.0	11.0	12.0
6. Illinois	5.0	5.0	8.0	11.0	11.0	11.0
7. Florida	5.0	7.0	9.0	11.0	10.0	10.0

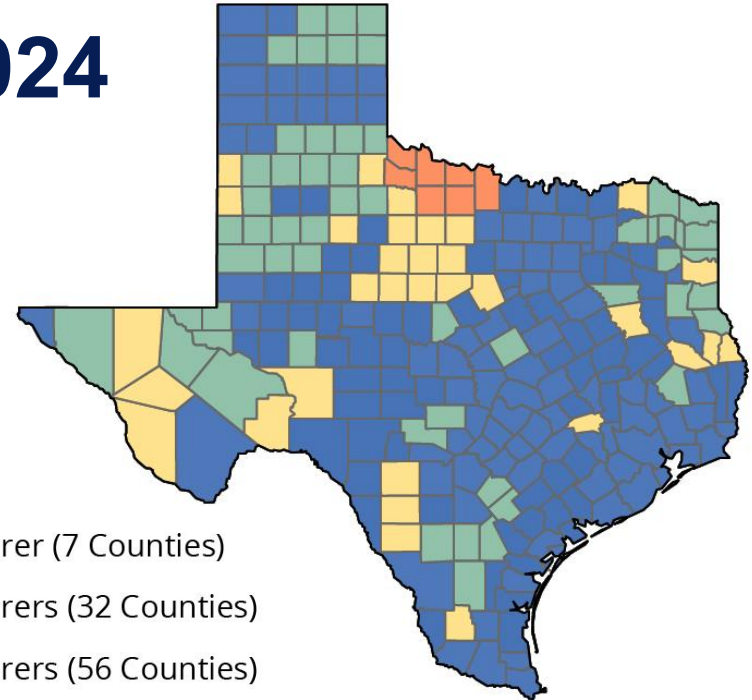
Increased Individual Market Competition: 90%+ Texans have a choice of 3+ up from 60% in 2018

2018



- 1 Insurer (98 Counties)
- 2 Insurers (133 Counties)
- 3 Insurers (18 Counties)
- 4+ Insurers (5 Counties)

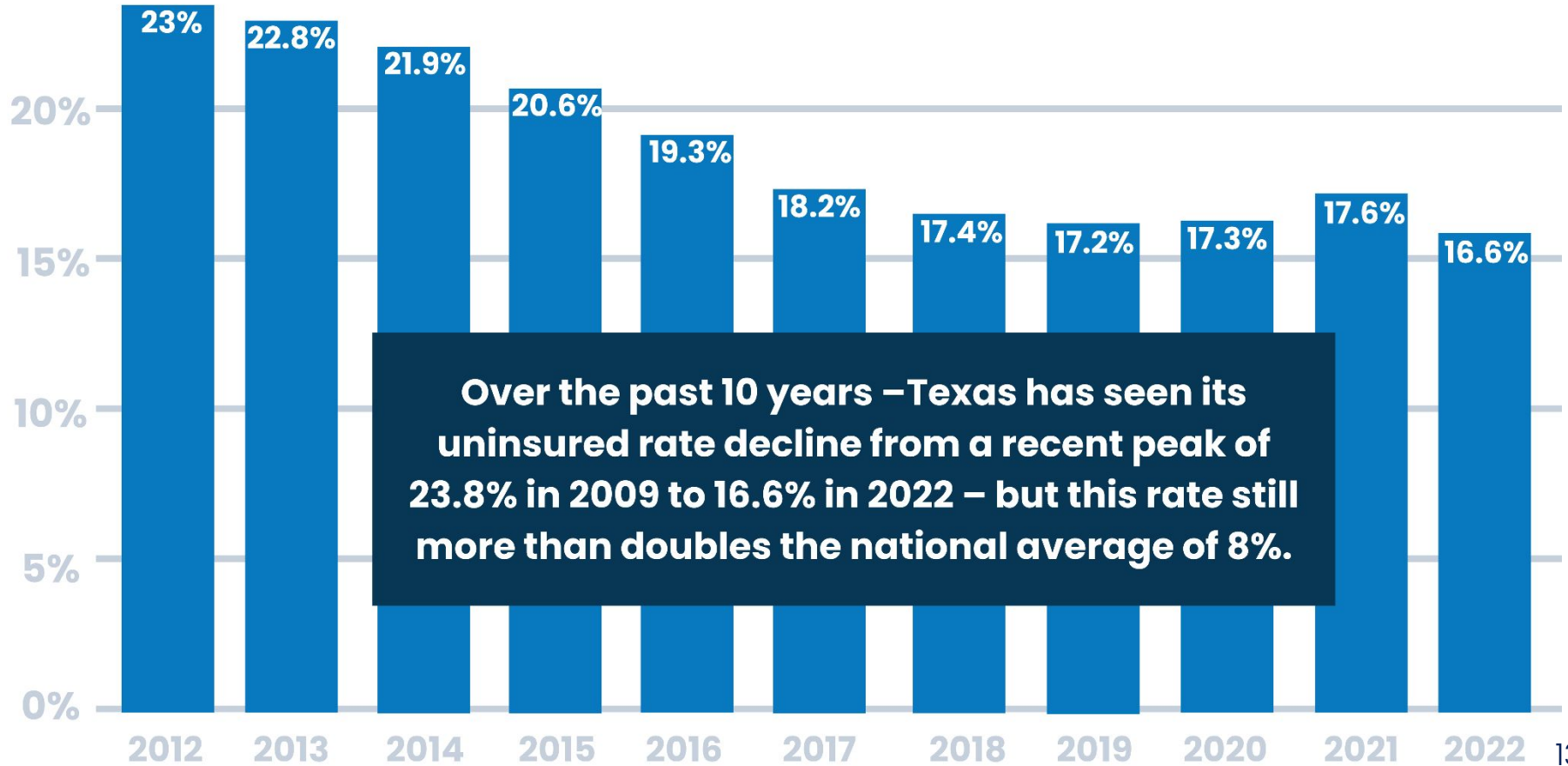
2024



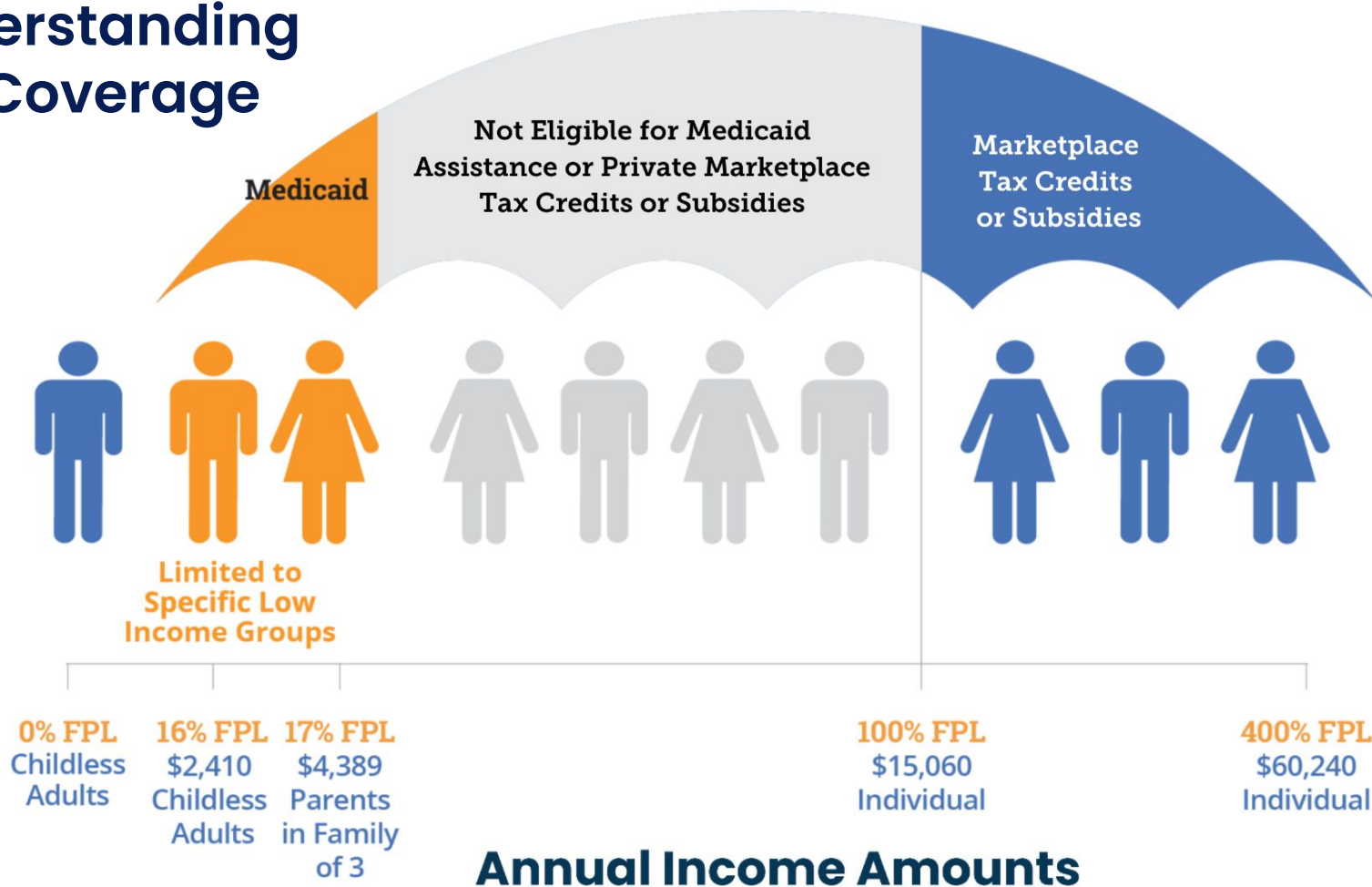
- 1 Insurer (7 Counties)
- 2 Insurers (32 Counties)
- 3 Insurers (56 Counties)
- 4+ Insurers (159 Counties)

Only 7 counties have one insurer, a decrease from 98 in 2018.

Texas Population without health insurance



Understanding the Coverage Gap



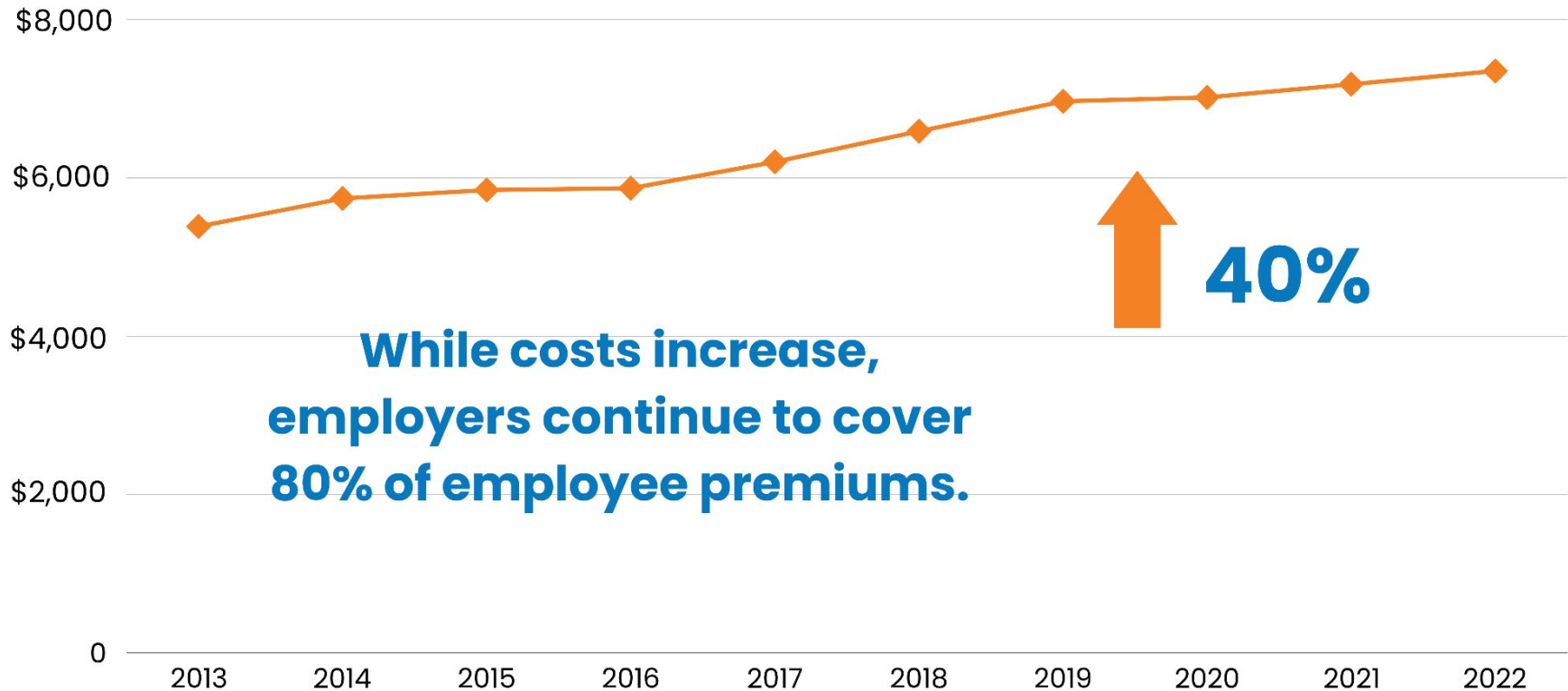
Employer-Provided Coverage: 13.8 Million Texans

-  **98% of large employers offer coverage in Texas.**
-  **Texas employers cover nearly half of all Texans** and 85% of employees say health insurance is a “must-have”.
-  **71% of employers said offering health insurance is extremely important** for hiring and retaining workers.
-  **Employers cite a 47% return on investment** for offering health coverage.
-  **Only 27% of small employers offer coverage in Texas.**
-  **87% of Texas employers say health care costs** are rising at an unsustainable rate and employees have steadily lost 5% in wages due to these costs.
-  **78% of Texas employers rank health care costs** as one of the top issues affecting their business.

Small business owners in Texas rank the cost of health insurance as their single biggest problem every year since 1986.



Total Premiums up Nearly 40% Over the Past Decade, Employers Bear the Burden



Health Care Price Inflation is the Number One Driver of Insurance Premiums

77% Price inflation accounts for more than 77% of health insurance premium increases (not utilization). *Source: [Health Care Cost Institute, 2019 Health Care Cost & Utilization Report, Published October 2021](#)*

- **Hospitals that do not have any competitors** within a 15-mile radius have prices that are 12% higher than hospitals in markets with four or more competitors.
- **Hospital Mergers:** Between 2002 and 2020, 20% of hospital mergers lessened competition significantly, leading to price increases. (American Econ. Review, 2024)
- **Insurer competition lowers premiums** but is “not sufficient to offset the effects of increased hospital concentration on premium costs.” (Health Affairs, 2019)
- **Hospital Consolidation:** In highly concentrated markets or monopolies, hospital consolidation increased individual market premiums 12%. (Health Affairs, 2018)
- **FTC Oversight Limitations:** Mergers not flagged by the FTC due to budget constraints led to price increases of at least 5% in inpatient and outpatient services.
- **Workers Compensation:** Hospital consolidation resulted in an 11.4% increase in workers compensation costs. (Workers Comp. Research Inst., 2023)

Problems in the Market

- #1 The Texas small group market has unique challenges** with few competitors, less flexibility, & higher family premiums & cost sharing. The result is small employers are dropping coverage or moving away from fully insured group coverage.
- #2 Employers want more flexibility not allowed by state mandates and regulations.** State mandates restrict insurance innovation with limits on shopping incentives and transparency tools plus prohibitions on value-based payment models—like direct and advanced primary care that focus on patient outcomes.
 - Texas employers are shifting to self-funded coverage alternatives to avoid state regulation. 77% of Texas employers want the Legislature to give them more flexibility to contain costs and offer innovative benefits.
- #3 Low income working Texans** with incomes too high to qualify for Medicaid & too low to qualify for subsidized individual coverage face challenges. Additionally, a substantial number of Texans are eligible for programs but unenrolled.
- #4 Prices are at the root of the problem:** Increasing hospital, physician and drug price account for 77% of increased spending, driven by private equity and hospital consolidated hospital systems. Note – health insurer profits & admin are capped.

Problems in the Market

#5 Mandates & Over Regulation Concerns Grow: Texas ranks 3rd in the nation for regulations above the ACA. Mandates passed each session add to the pressure businesses and families face from rising costs.

- **88th Session:** Over 110 mandates filed, 77 heard, and 16 became law.
- **87th Session:** Almost 100 mandate bills filed, and 7 became law.
- **Mandates include** benefit coverage requirements, restrictions on plan design, limitations on addressing fraud-waste-and abuse, and regulations that block competition from lower cost health care products and services.
- **While lawmakers are careful not to add costs to state funded programs at ERS & TRS, mandates continue to grow and add cost to family and employer coverage.**

Addressing Mandates & Overregulation

Benefit, contract, and regulatory mandates reduce flexibility, stifle innovation and raise costs on Texas employers and families.

- #1 Private Market Mandate costs should be transparent:** A majority of states estimate the cost of mandates before hearing and passing bills so lawmakers know the actual impact on businesses and families.
- #2 Texas needs a moratorium on mandates** until a process is in place to produce an actual mandate fiscal note on private market coverage impact.
- #3 Build a mandate-lite coverage option:** Businesses want alternative coverage choices that allow them to select the plan designs and benefits that adapt to their needs, avoid over regulation, and are priced at a cost they can afford.
- #4 Protect ERISA flexibility:** Oppose legislative attempts to impose costly mandates on self-funded (ERISA) alternatives for employers, maintaining affordable coverage options. ERISA mandates are routinely struck down by courts except when they amount to rate setting arrangements that add costs.

Give Employers More Flexibility & Options

Outdated Texas laws leave patients & employers at a disadvantage. Despite federal transparency rules encouraging shopping incentives, Texas laws prevent health plans and employers from rewarding patients who shop for high-value, low-cost care.

- #1 Value-Based Care:** Health care is shifting to advanced & direct primary care where one clinic handles all primary & urgent care for a monthly fee. Texas law prohibits this type of innovative design for most health plans. Texas should allow insurers to enter into capitated value-based care arrangements with providers.
- #2 Maximize Price Transparency by Allowing Innovative Price Shopping:** 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. The state even restricts sharing cost and quality information (only blocked in two states) that’s needed for this type of policy to work. Allow health plans to create innovative new options that reward families for seeking the best values in care.

Addressing High Prices

Price increases alone account for 77% of increased health care spending. As consolidated health systems and private equity take over more of health care, patients see new fees. Texas must address prices to address coverage affordability.

- #1 Expand price transparency:** Consumers still lack a complete picture to window-shop for most health services. Expand efforts from recent sessions to include all provider types, all shoppable services, and an upfront good faith estimate.
- #2 Expand itemized billing** protections prior to medical debt collection to ensure patients get a chance to review a detailed bill before any provider potentially falsely puts a patient's creditworthiness at risk.
- #3 Eliminate All Anti-Competitive Contracting:** When health systems take over health care markets they can demand all-or-nothing contract terms that inflate prices and choke out competition.
- #4 Establish facility fee billing transparency** to ensure medical bills match the true location of health care services & protect patients from dishonest billing.
- #5 Protect patients from inappropriate & excessive surprise facility fees** such as for telehealth & primary care.

Reduce the Uninsured through Existing Programs

Texas has an opportunity to reduce the uninsured through existing programs.

- #1 Protect individual market coverage gains** to ensure that the exchange continues to operate with a stable, affordable, and growing market. With nearly 3.5 million covered in the Marketplace, Texas should be cautious of proposals that create disruption, including a state-based exchange.
- #2 Focus on small employer subsidies:** New tax-advantaged programs like ICHRAs can help small employers cover employees, getting directly to the most strained coverage market.
- #3 Allow increased flexibility for Medicaid and private health plans to more effectively educate families about coverage options**