



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

September 5, 2024

Re: Individual and Small Group Markets

Dear Chairman Oliverson and Members of the House Insurance Committee,

I am writing on behalf of the Texas Association of Health Plans (TAHP), representing the state's health insurers committed to providing Texans with access to affordable, high-quality health care coverage. The economic challenges we face today are significantly impacting the cost of health insurance premiums, particularly for small businesses and individuals in Texas. While the individual market has seen significant improvements in affordability and coverage, the small group market is still struggling with rising costs and limited options. It is crucial that Texas carefully considers any proposals that could disrupt these markets, including the introduction of a state-based health exchange. We appreciate the opportunity to explore ways to better manage and control these rising costs, ensuring that all Texans have access to the coverage they need.

The Success of the Texas Individual Market

While most Texans are covered through their employer, millions of Texas' entrepreneurs, small business owners, and others look for health insurance coverage on their own. The Affordable Care Act's "individual market" provides comprehensive coverage options for these Texans. The individual market in Texas is thriving due to enhanced subsidies, expanded eligibility, and reforms like SB 1296, which have made coverage more affordable. For example, the average premium paid by Texans after subsidies has dropped from \$136 in 2018 to \$50 in 2024.

This affordability has led to a nearly threefold increase in coverage, with the number of Texans buying coverage soaring from 1.3 million in 2021 to 3.5 million in 2024. At 15 insurers, Texas now has more insurers serving the individual market than any other state. In 2024, more than 90% of Texans had a choice of 3 or more health plans. Texas must be extremely cautious of any proposals, including a state-based exchange, that could disrupt the stability and affordability of the individual market. The success of the individual market proves that when coverage is affordable, Texans want to sign up.

Challenges in the Texas Small Employer Coverage Market

Health insurance is increasingly expensive in Texas, driven largely by rising prices and new government mandates. Businesses are facing a 9% increase in health spending this year, making it harder for them to continue providing benefits to their employees. The small group market is



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particularly challenged, with few competitors, less flexibility, and higher premiums and cost-sharing. Many Texas small employers have dropped coverage altogether with only 27% of small employers currently offering coverage, and rising health costs are becoming unsustainable for both businesses and employees. 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.

Small employers are uniquely sensitive to higher prices. According to NFIB, small businesses have ranked the cost of health insurance as their number one concern every year since 1986. New data from JP Morgan Chase business accounts showed that 12% of payrolls went to health care costs for small employers, compared to 7% for larger businesses. Small employers are uniquely sensitive to higher prices and 75% of small businesses that don't offer coverage stated that employees would prefer pay raises over benefits.

Texas laws are making the problem worse. Small employers' health plans are regulated by state laws passed at the Texas legislature, unlike large businesses' self-funded health benefits that are exempt from state mandates. For example, state laws block insurance plans from rewarding doctors that focus on value, sharing quality transparency with patients, and encouraging patients to shop for more cost-effective care.

These restrictions are causing more employers to move to self-funded plans, which allow them to avoid excessive state government regulations that block innovative benefit designs. KFF's Employer Health Benefits Survey shows the proportion of employees covered by self-insured plans increased from 44% in 1999 to 65% in 2023. Small businesses (defined as three to 199 employees) had the biggest increase—from 13% in 1999 to 18% in 2023.

Why It Matters:

The small group market is vital for providing coverage to our state's workforce, but rising costs are making it increasingly difficult for small employers to offer benefits. If these challenges are not addressed, more small businesses will be forced to drop coverage, leaving their employees without affordable health care options. Meanwhile, the individual market has made significant strides in affordability and coverage expansion. Any disruption to this market—including the introduction of a state-based exchange—could reverse these gains and destabilize a market that currently serves nearly 3.5 million Texans. Texas should prioritize stability and affordability in its health care decisions.



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Recommendations:

- **Focus on Small Employer Subsidies:** Texas should promote new tax-advantaged programs like Individual Coverage Health Reimbursement Arrangements (ICHRAs) to help small employers cover their employees, targeting the most strained market.
- **Increase Transparency in Mandate Costs:** Texas should implement a process to estimate the cost of mandates before passing legislation, ensuring that lawmakers are fully informed of the impact on businesses and families. A moratorium on new mandates should be in place until this process is established.
- **Build a Mandate-Lite Coverage Option:** Texas should offer businesses alternative coverage choices that allow them to select plan designs and benefits that adapt to their needs, avoid overregulation, and are priced at a level they can afford.
- **Protect ERISA Flexibility:** Texas should oppose legislative attempts to impose costly mandates on self-funded (ERISA) alternatives for employers, maintaining affordable coverage options. Courts often strike down ERISA mandates unless they involve rate-setting arrangements that add costs.
- **Give Employers More Flexibility & Options:** Texas should modernize outdated laws that disadvantage patients and employers, such as those that prevent health plans and employers from rewarding patients who shop for high-value, low-cost care. By aligning state laws with federal transparency rules, Texas can encourage more cost-effective health care choices.
- **Avoid Disruptive Proposals:** Texas should be extremely cautious of any proposals that could disrupt the individual market, particularly the introduction of a state-based exchange. Protecting gains in affordability and coverage in the individual market is essential to ensuring 3.5 million Texans continue to have affordable health insurance.

Sincerely,

A handwritten signature in black ink that reads "Jamie Dudensing". The signature is written in a cursive, flowing style.

Jamie Dudensing, RN
CEO
Texas Association of Health Plans