



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

March 5, 2025

Re: TAHP Opposes SB 1122

Dear Chairwoman Kolkhorst and Members of Senate Health & Human Services Committee,

The Texas Association of Health Plans (TAHP) is the statewide association representing health insurers, HMOs, Medicaid managed care, and other health plans covering more than 20 million Texans. We are concerned about the financial impact that interference in the self-funded, employer-provided health benefits market will have on Texas businesses and families.

We are also concerned that the legislature has chosen to exempt its own coverage and the coverage of state employees through ERS from these mandates as well as the coverage for Texas teachers. We believe that any mandate and associated cost worth passing on to private employers and Texas families should also be added to publicly funded health plans.

We oppose SB 1122 and its attempt to impose costly mandates on employer-provided health coverage. Notably, SB 1122 would add \$5.4 billion in new costs over the next 10 years, leading to higher premiums and cost-sharing for employees.¹

Under the Employee Retirement Income Security Act (ERISA) of 1974, self-funded employer plans are typically shielded from state and local mandates. ERISA allows large, multi-state employers to offer health benefits that follow a single set of federal rules, rather than navigate 50 different state standards. This helps employers keep coverage more consistent and affordable for workers in multiple locations.

An employer's plan qualifies for ERISA preemption when the employer assumes the risk for its own health claims rather than buying traditional insurance. Often, employers hire a third-party administrator to handle provider networks and claims. Even though employees may see a familiar insurance company's name on their card, the employer itself pays the medical bills. These ERISA-qualified plans must follow national rules set by Congress and federal agencies. They are generally exempt from additional state regulations that drive up costs. SB 1122

¹ The methodology used to create these cost projections was that used by Visante in the January 2023 paper "Increased Costs Associated With Proposed State Legislation Impacting PBM Tools."



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attempts to override this federal protection by imposing state mandates on drug benefits, which would increase costs for employers and employees alike.

Self-funding benefits not only large corporations—1 in 5 businesses with fewer than 200 employees now self-fund, up [54% over the last two decades](#). This growing trend helps smaller employers save on health care costs and avoid the mandates placed on insured plans. [Today nearly two-thirds of employers use a self-funded arrangement, up from just 44% in 1999.](#)

By forcing new mandates on self-funded plans, SB 1122 threatens the flexibility that encourages many businesses to offer coverage at all.

Some argue that the Supreme Court's *Rutledge v. PCMA* decision makes it easier for states to regulate these plans. However, the Court specifically noted that such mandates could result in prescription drug costs being higher in some states than in others. This raises an important question: **even if Texas could impose rules that make prescription drug coverage more expensive than in other states, why would it?**

Texas already struggles with high health care costs—[fifth highest in the nation](#)—and employer plan costs increased [16% in the last three years](#). Small employers are dropping coverage, and [only 27% now offer it](#). Requiring additional mandates on self-funded plans would only worsen these problems. Large employers carry much of Texas's insured population, and they need the flexibility to design benefits that encourage smarter, more cost-effective care. If coverage becomes too expensive, fewer employers will choose to offer it—leading to more uninsured Texans.

For these reasons, the Texas Association of Health Plans strongly urges you to **oppose SB 1122**. Imposing costly new mandates on self-funded employer plans will make health care less affordable and put more pressure on businesses and families. Thank you for your consideration.

Sincerely,

M. Blake Hutson

Blake Hutson
Director of Public Affairs
Texas Association of Health Plans