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The Texas Association of Health Plans

Health Insurance in Texas: Who's Covered, Who's Not, & What's Driving Costs

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The Texas Association of Health Plans

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Why Texans Need & Want Health Coverage

Research shows that health coverage leads to better health outcomes and access to care:

- Uninsured more likely to postpone health care or forgo it altogether.
- People without health insurance 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.

Covered Texans get the preventive care they need vs. the uninsured:

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

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Why Texans Need & Want Health Coverage

High Cost of Care Without Insurance: Without insurance, medical costs can escalate into significant financial burdens, 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:** $370,000 up 68% from 2022 (2008 was $2,000)

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

Texans Buy Coverage When It's Affordable: Since 2021, the number of Texans buying coverage **has tripled**, from 1.3 million to 4 million, alongside monthly premiums falling from $120 per month to $50 per month (after tax credits).

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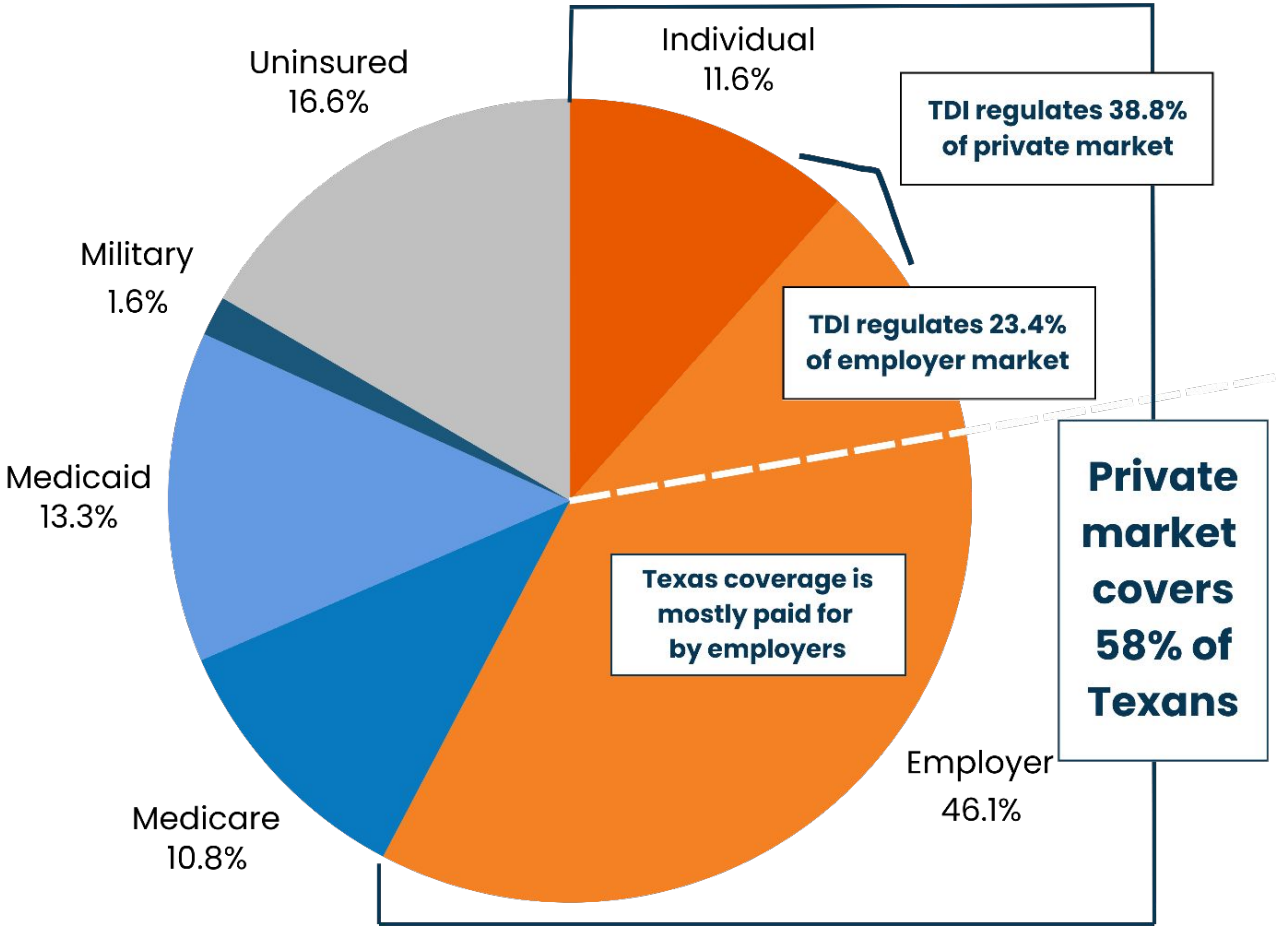
How Texans Get Health Coverage

How Texans Get Their Coverage

- **Almost 25% of Texans** receive their coverage from **Medicaid or Medicare**
- **58% of coverage is the private market**
- **80%** of private market coverage is **purchased by employers**
- **Individual coverage** has quadrupled since 2020 (1.2m → 4m Texans)
- **Uninsured Texans** cite employment as the top reason for not having health coverage

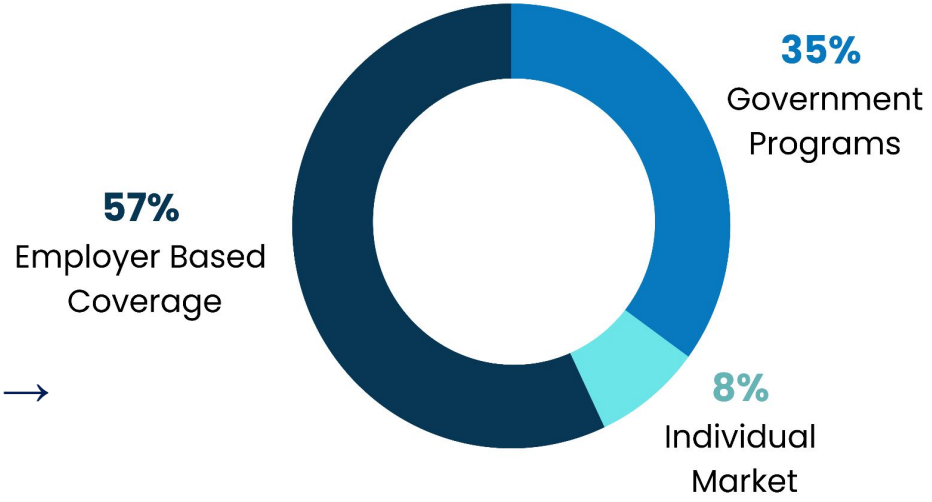


Employers: The Leading Source of Health Coverage

- Texas businesses make up the the foundation of health coverage in Texas with the most efficient path to benefits for families.
- Employers rely on health benefits to attract the best workers, so they cover the bulk of monthly premiums for the most extensive and comprehensive coverage around.
- 89% of all American workers have job-based health coverage.
- 50% of children in the US get health coverage through a parent's job.

Majority of Texans are Covered at Work →

13,854,500 Texans
Get Coverage Through an Employer

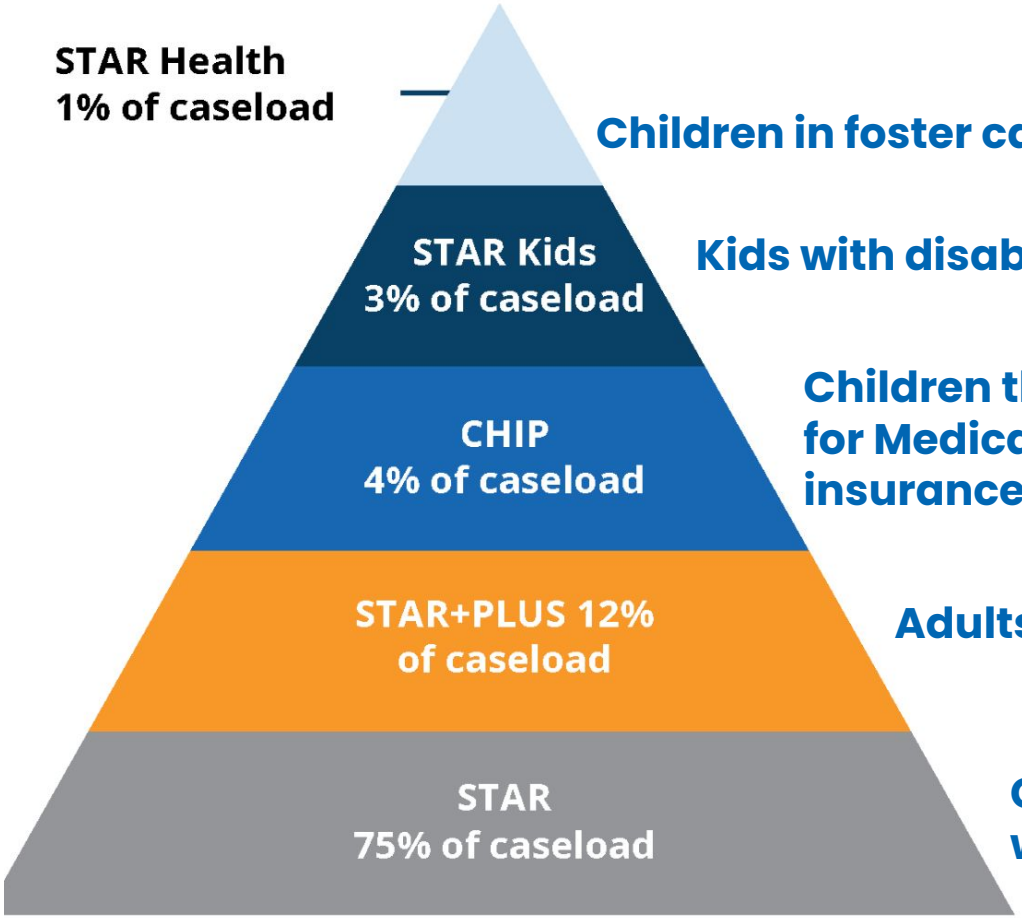


Private Coverage In Texas

Individual 4M Fully Insured	Employer Coverage: 13.8M HRAs	 Fully Insured	 Self-Funded	Alternative Coverage
Est. 4 million	3rd Highest	Est. 3.25M +	Est. 10M +	Est. 100k–200k
– Individuals pay premium – Insurer risk – ACA Marketplace – Tax subsidies – HMO, EPO	– Employer contribution: ICHRA & QSEHRA – Mainly <20 FTE – Avg. employer pays $550/mo. – ACA Market – HMO, EPO	– Small Group 2-50: Est. 670k – Large Group >50: Est. 2.5M – Insurer risk – HMO, EPO, PPO – MEWA option	– ERISA or level-funded – Employer risk – PPO – MEWA Option (association health plans) – TX Mutual	– STLD - 4 Months – Health Share Ministries - Est. 100k – "Farm Bureau" - Est. 6k – Med. Indemnity – Specific Disease

High Deductible Plans & HSA
54% of Workers (77% of Cost)

Medicaid is Vital Safety Net Coverage in Texas



Children in foster care

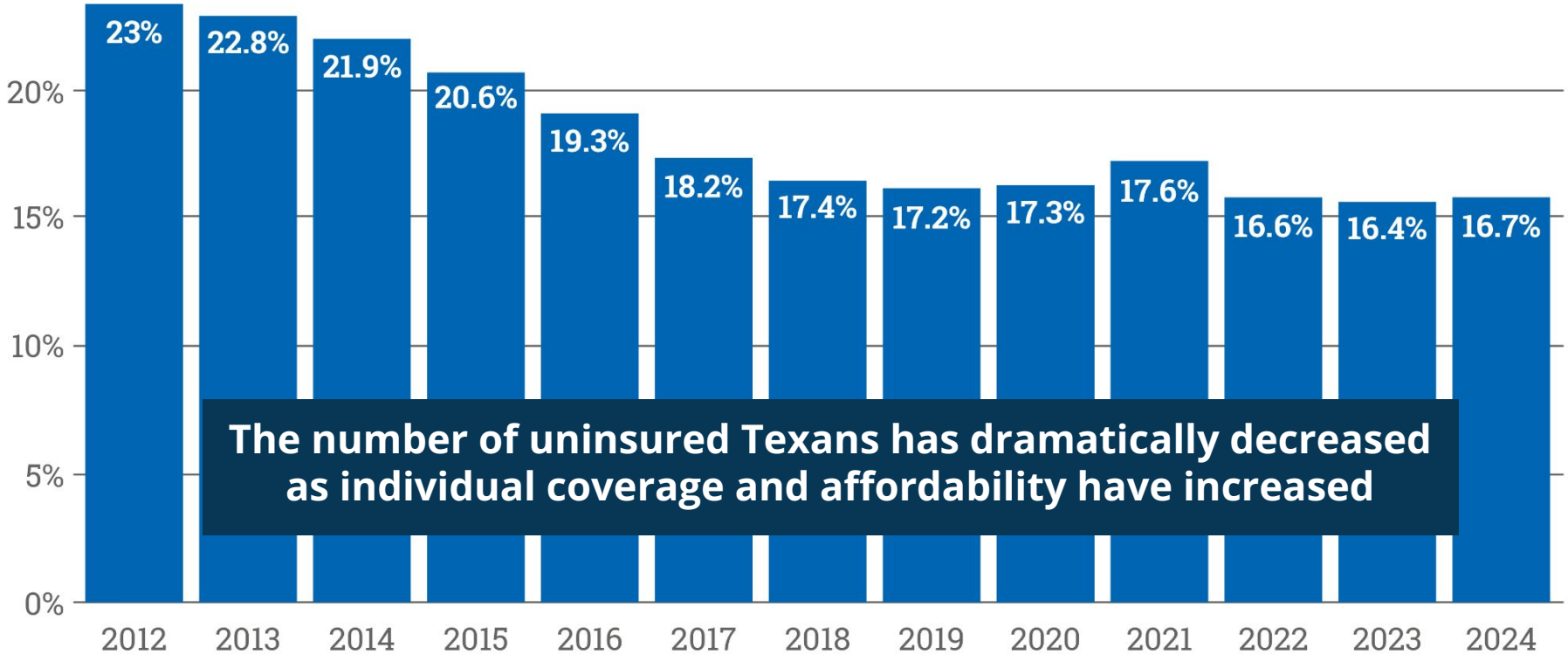
Kids with disabilities or complex medical needs

Children that earn too much money to qualify for Medicaid, but can't afford private health insurance

Adults with a disability, people aged 65+

Children, newborns, pregnant women, and some families

Percent of Uninsured Texans Has Declined



Source: U.S. Census Data

Who are the Uninsured in Texas?

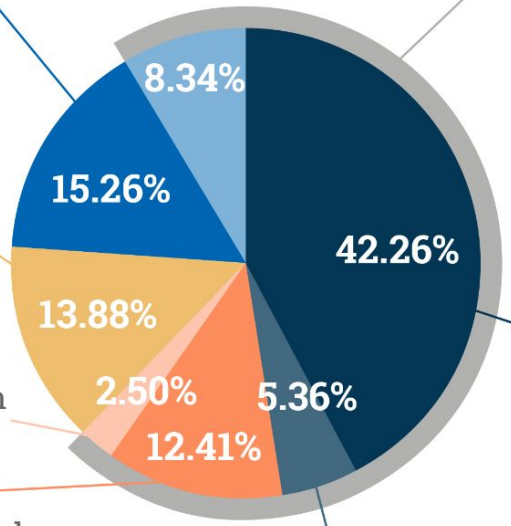
Coverage Gap
Uninsured adults below 100% FPL that are not eligble for ACA or marketplace subsidies

Undocumented
Uninsured adults and children

14.9%
Maybe ACA Kids/Adults

Maybe ACA Kids
Uninsured children in families at or above 400% FPL, whose subsidy eligibility cannot be determined with public information

Maybe ACA Adults
Uninsured adults at or above 400% FPL, whose subsidy eligibility cannot be determined with public information



56.0%
Eligible for Existing Programs
(Includes ACA Eligible Kids/Adults and Medicaid/CHIP Eligible Kids)

Up to 70.9%
Potentially Eligible for Existing Programs

47.6%
ACA Eligible Kids/Adults

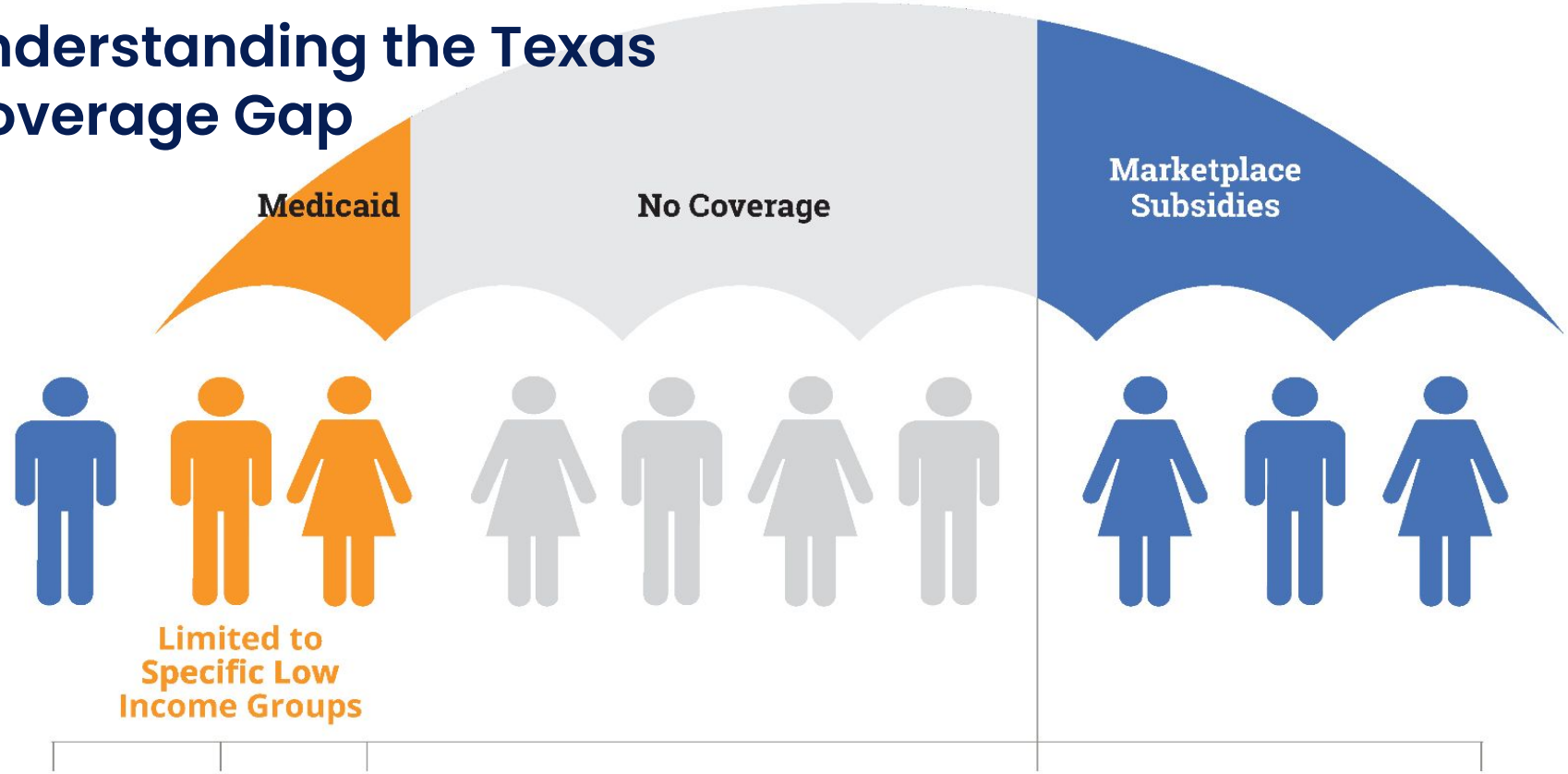
ACA Eligible Adults
Uninsured adults eligible for subsidies on the ACA marketplace

ACA Eligible Kids
Uninsured children eligible for subsidies on the ACA marketplace

Credit: Texas 2036

56% of Uninsured Texas are Already Eligible for Free or Subsidized Coverage from Existing Programs

Understanding the Texas Coverage Gap



Annual Income Amounts

What's Happening with the Cost of Coverage

The Cost of Coverage: 2026 Premium Projections & Who Pays the Bill

Individual: Silver Plan

Total Monthly Bill

What the Texan Pays
(Out of Pocket)

Primary Payer
(Who pays the rest?)

Federal Government
(Tax Credits)

Employer: Single Coverage

Total Monthly Bill

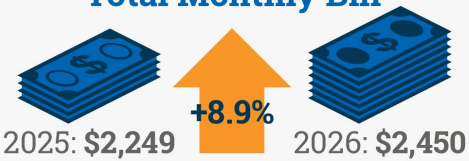
What the Texan Pays
(Out of Pocket)

Primary Payer

The Employer
(Covers ~84%)

Employer: Family Coverage

Total Monthly Bill



What the Texan Pays
(Out of Pocket)

Primary Payer

The Employer
(Covers ~74%)

Sources: 2026 Individual Market: TDI 2026 Rate Filings; KFF: Subsidy Cliff Projection, Employer Market: KFF 2025 Employer Survey; Mercer 2026 Forecast; Texas 2036 Cost

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Tale of Two Markets: Historic Volatility vs. Steady Inflation

- **Premiums are Increasing:** All prices are up, but the 2026 market is defined particularly by individual market instability and health care price inflation.
  - **Individual (ACA) Market:** Facing an "extraordinary" spike of 35%
  - **Employer-Sponsored Market:** Projected to rise 6% to 9%, outpacing inflation but significantly lower than the individual market.
- **The "Price" Reality:** Across both markets, premiums are rising as health care prices—specifically for hospitals and drugs—are growing faster than inflation.
- **The Volatility Factor:** The ACA market spike is driven largely by federal tax credits expiring and legislative uncertainty (the "One Big Beautiful Bill Act"), while employer plans are driven by prices and drug trends.
- **U.S. Health Care Spending Today vs. 2000:** 18% of GDP today, 13% then. Nearly 16K per person today, ~8K per person then (in today's dollars).

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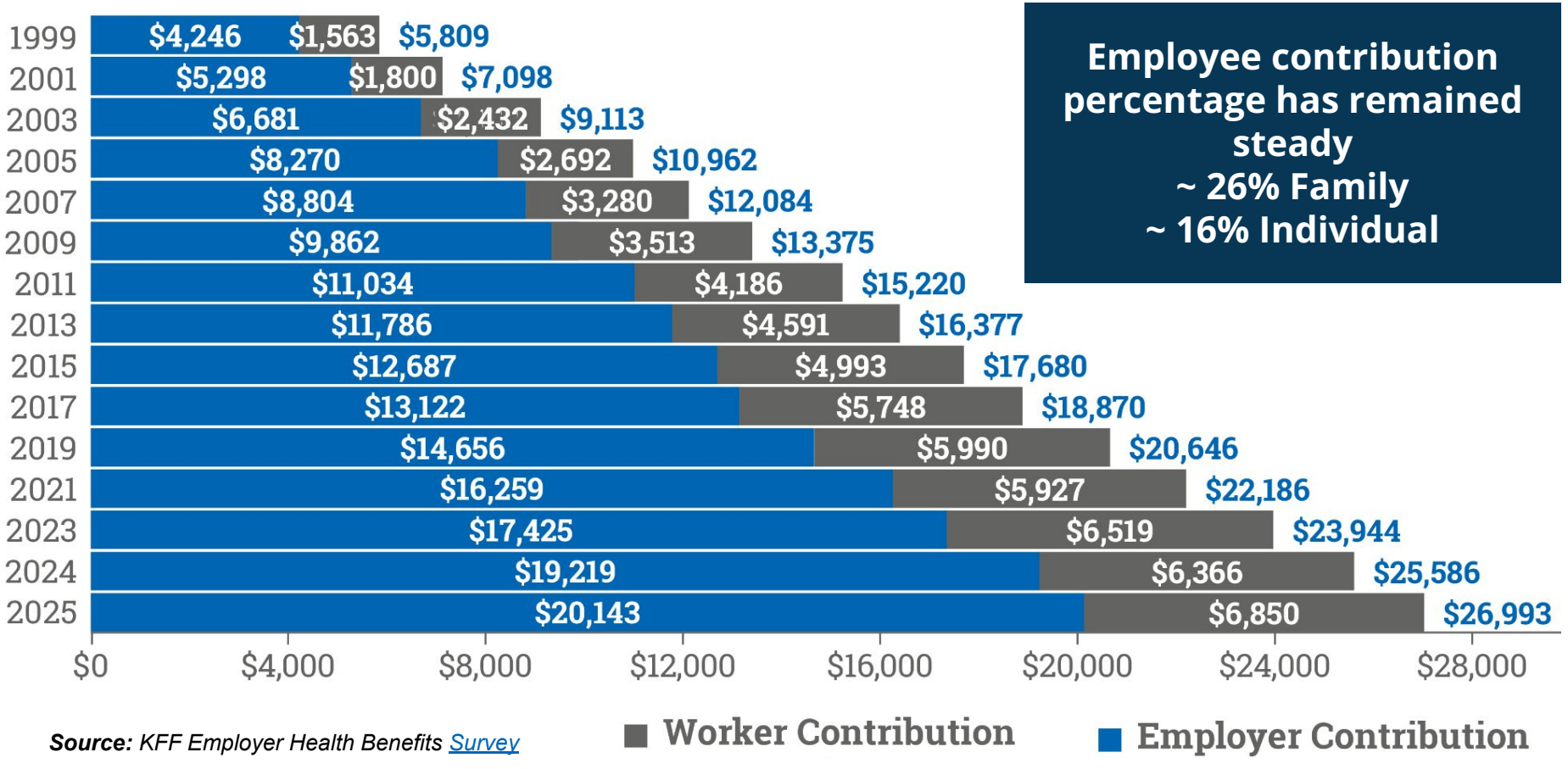
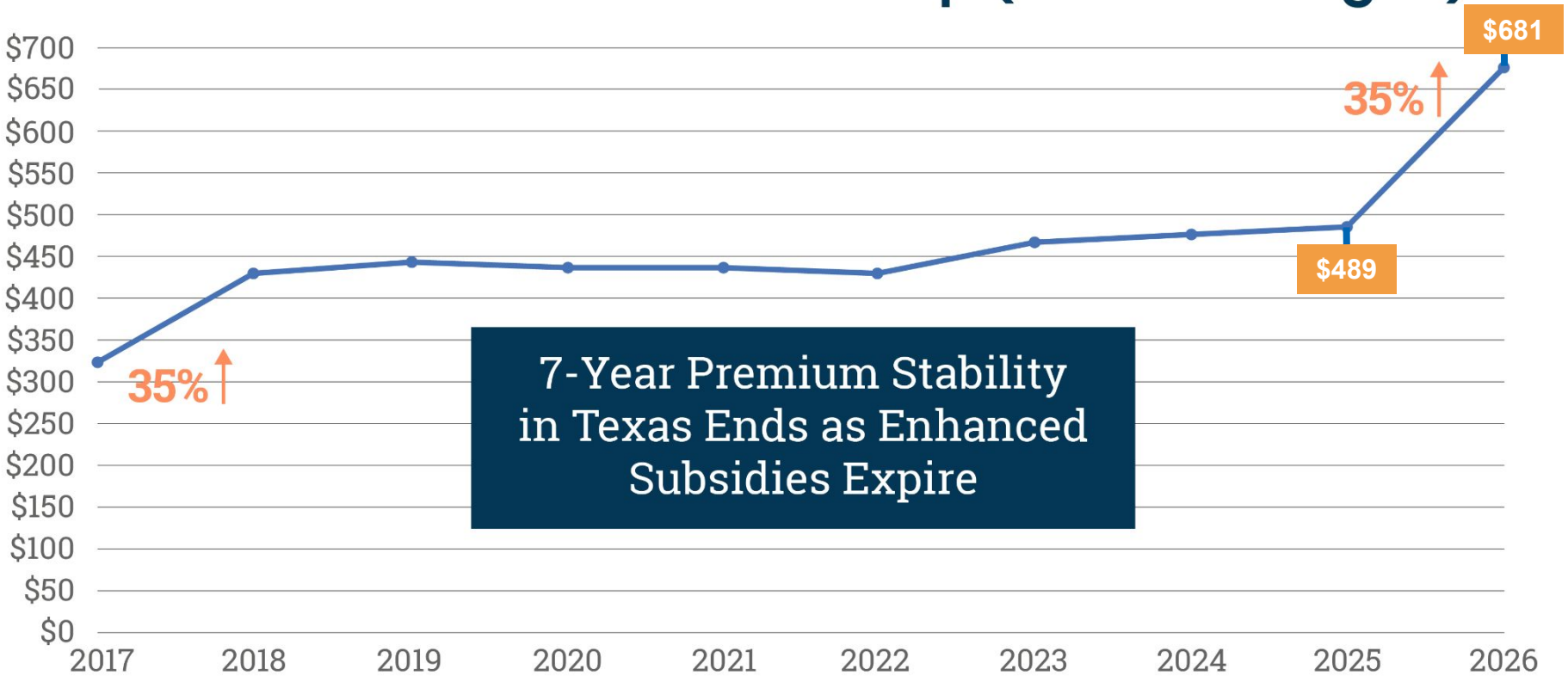
Employer & Employee Premiums: National Trends



Employee contribution percentage has remained steady
~ 26% Family
~ 16% Individual

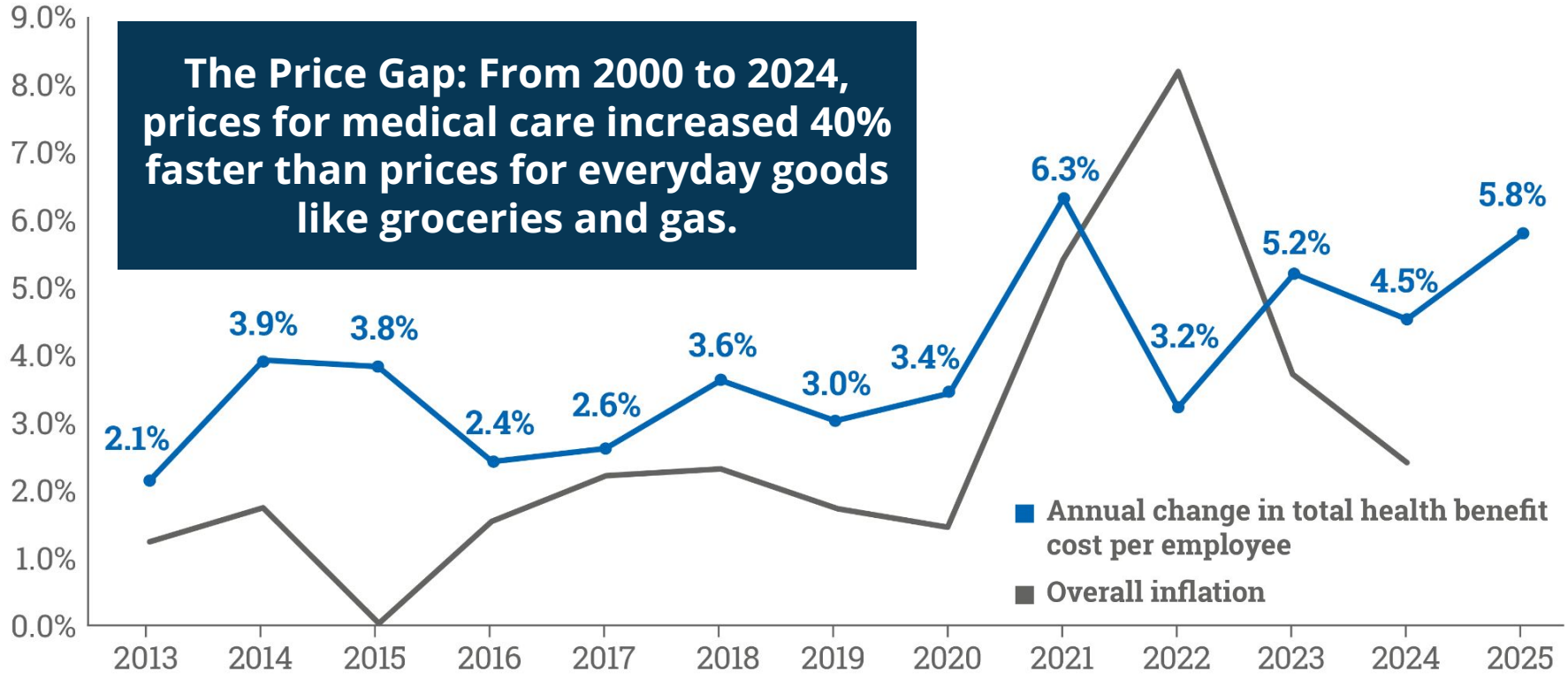
Source: *KFF Employer Health Benefits Survey*

Individual Market Premiums Up (Healthcare.gov)



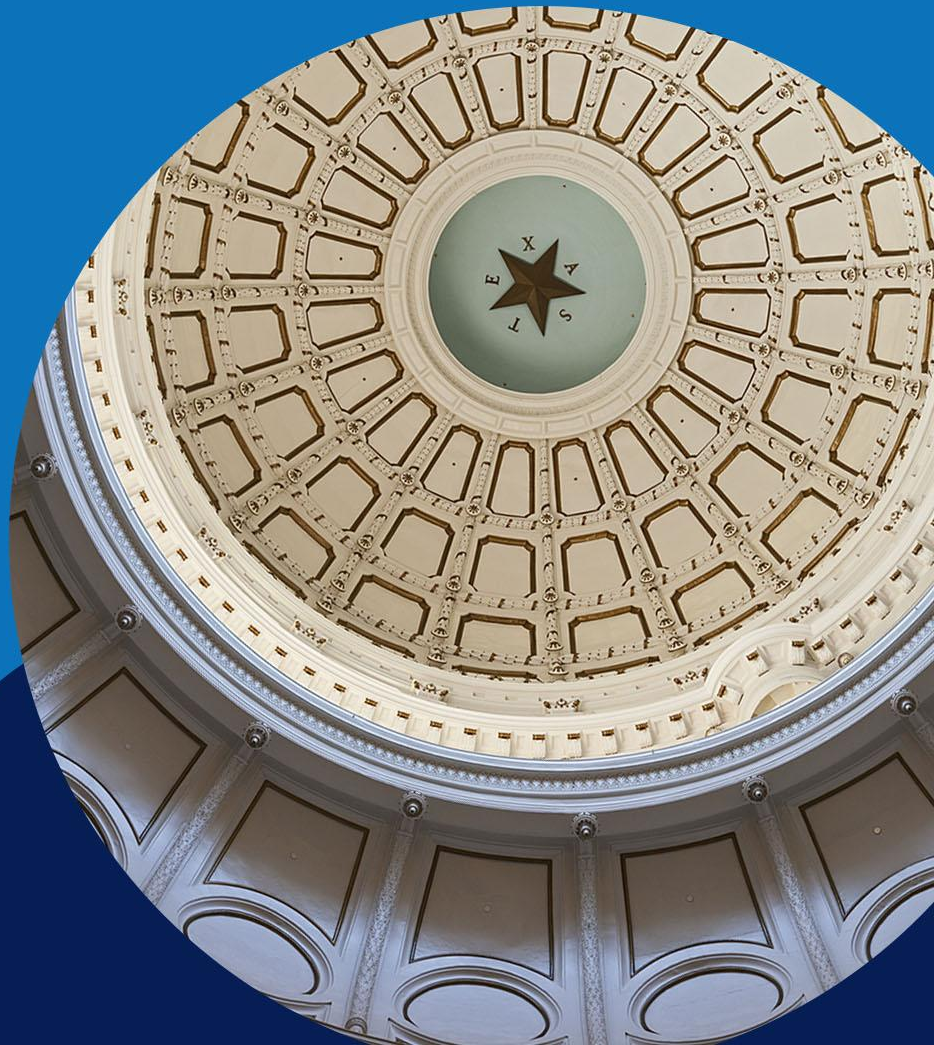
Note: *Full price monthly premiums (w/o tax credits) shown, actual increases are greater as shown on next slides.*
Source: *KFF, Single Marketplace Avg. Monthly Premium Before Tax Credits.*

Health Insurance Premiums Outpace Inflation



Source: *Mercer's National Survey of Employer Sponsored Health Plans*

What’s Driving Premiums Higher and How to Make Coverage More Affordable



Where Does You Health Care Dollar Go?

- **Where the Money Goes:** Nearly 85 cents of every premium dollar goes directly to medical care (hospital prices, doctor visits, drugs)
- **The Profit Reality:** A major driver of public frustration is the belief that insurance premiums rise to pad profits
  - **Federal law caps insurer profit margins** - less than 3 cents of every dollar goes to profit.
- **Drugs:** More than 24 cents of every premium dollar goes toward prescription drug costs – the greatest individual category.
- **Total hospitals costs,** including inpatient, outpatient and emergency department care, now account for 40% of every health care dollar Americans spend.

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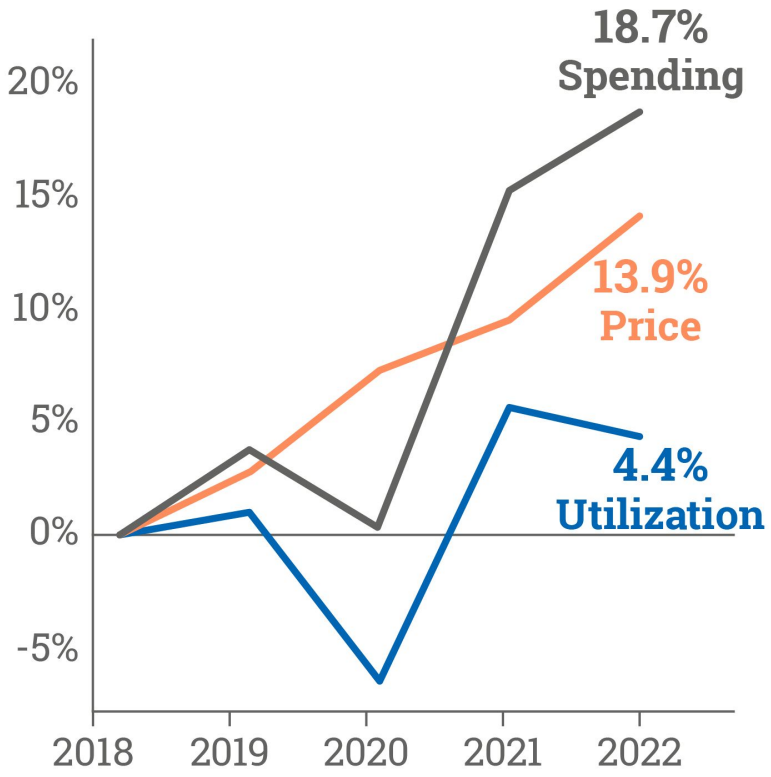
Where Does You Health Care Dollar Go?

Source: AHIP, Where does your healthcare dollar go?

Prices are the Problem

- It isn't that Texans are going to the hospital more often (Utilization) - **it's that every time they go, it costs more** (Price)
- **Nearly 90% of the 2026 premium increase is tied to the rising prices**, not an increase in the amount of care being delivered.
- **Price Increases Driving Per Person Spending:** From 2018-2022, per person spending increased by 19% or $1,055 ($6,710 in 2022 from $5,656 in 2018.). **Prices accounted for 75% of the increase.**



Source: *Health Care Cost Institute*

The Real Drivers of Your Premium

- **It's Not More Care—It's More Expensive Care:** Premium increases are being driven by the rising cost of services and drugs, not because Texans are visiting the doctor more often.
- **The Big Two: Hospitals and Prescription Drugs** now account for nearly 70% of every health dollar spent.

- **Hospital Prices:** Driven by large systems buying up independent doctors and adding hidden "Facility Fees" to your bill.
- **Biggest Driver:** Hospital spending accounted for 40% of the spending growth from 2022 to 2024.
- **Drug Prices:** Driven by record-high prices for new "Specialty" drugs and a massive surge in demand for weight-loss medications (GLP-1s).
- **The 2026 Outlook:** We are entering the highest cost cycle in 15 years because these two categories are increasing at double-digit rates simultaneously.
- **A Shared Responsibility:** Fixing the root causes will take collaboration from all stakeholders—including health plans, providers, hospitals, and drug makers.

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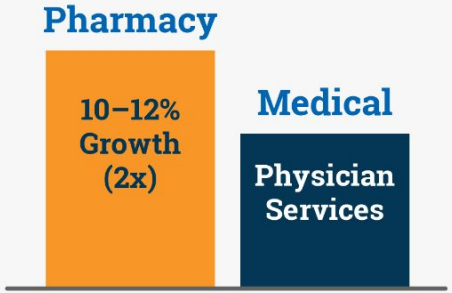
The "New Normal" of Pharmacy Costs

The #1 Premium Driver
For the 2026 plan year, pharmacy is the #1 cited driver of premium rate requests.



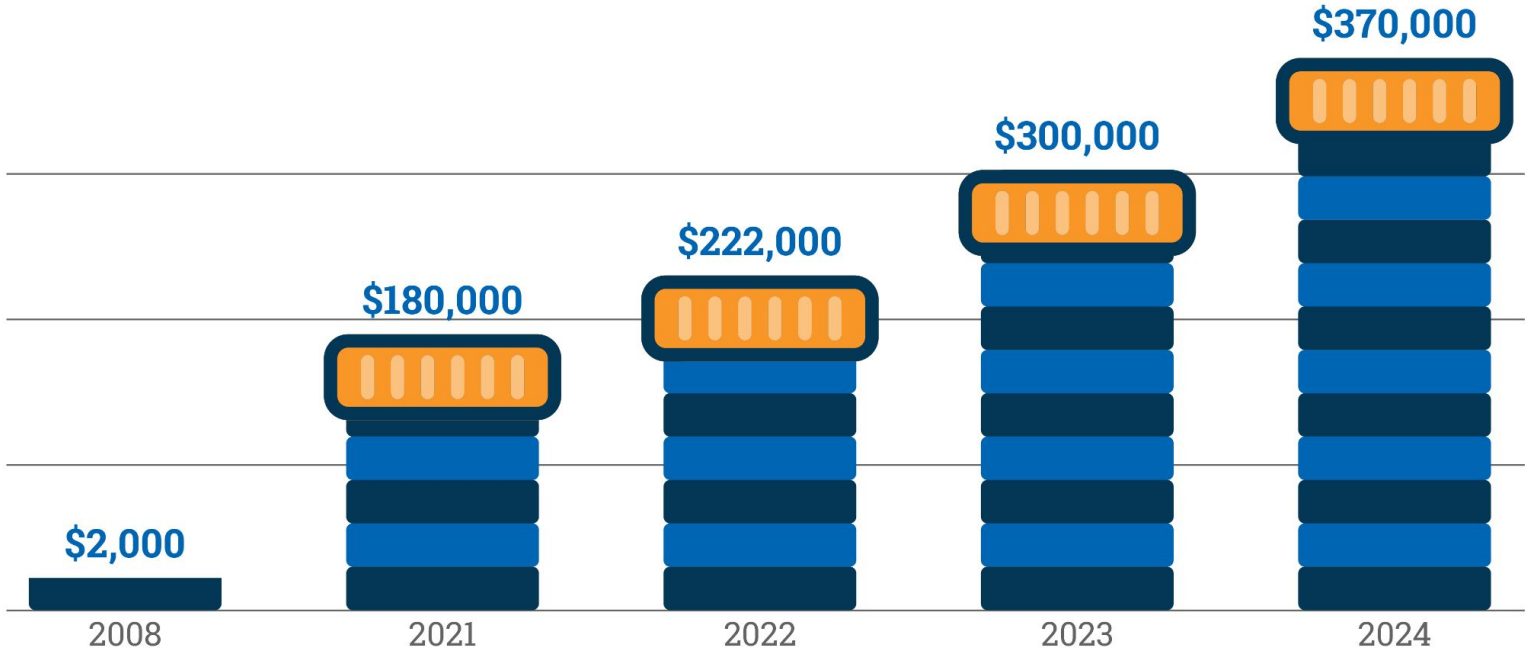
Pharmacy Outpacing Medical
Pharmacy costs are projected to grow 10% to 12% in 2026—nearly double physician cost growth.

Double-Digit Growth
U.S. drug spending grew by 11.4% ($50 billion) in 2024 alone—the highest growth rate in over a decade and a double previous years.

Source: *PwC Behind the Numbers (July 2025), Segal 2026 Health Plan Cost Trend Survey*

The “New Normal” of Pharmacy Costs

The $370,000 Starting Point: The average "entry price” for new drugs reached $370,000 in 2024, up from $180,000 just three years ago.



Source: *Reuters, Prices for New Drugs*

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The Specialty Drug "Squeeze"

- **Specialty Pipeline:** Nearly 80% of new FDA approvals are for specialty drugs, ensuring that almost every new treatment entering the market is high-cost.
- **The 2% / 50% Reality:** For many plans, specialty medications are used by only 2% of members but account for more than half (50%) of total drug spending.

- **The "Ozempic" Effect:** Skyrocketing demand for GLP-1 drugs is responsible for a 1.0% to 2.0% direct increase in total 2026 premiums
  - For some plans, GLP-1s accounted for half of the total increase in drug spending in 2024.
  - GLP-1s made up 41% of increased drug spending in FY24 for ERS.
- **"Catastrophic" Risks:** While rare, a single claim for a new gene therapy (like those for sickle cell disease) can cost $2 million to $4.2 million, creating a financial shock for small Texas businesses.

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The "Buy-and-Bill" Markup: Hidden Hospital Drug Prices

- **Same Drug, Higher Bill:** On average, hospitals charge double for the same physician-administered drugs compared to specialty pharmacies, and 6.5 times more than independent physician offices.
- **The 300% Markup:** For cancer treatments and other infused drugs, hospitals charge commercial insurers an average of 3 to 7 times more than the actual acquisition cost of the drug.
- **Markup Extremes:** Hospitals have marked up generic cancer drugs by 500-1,000% above the Medicare rate for commercially insured patients.
- **A $13 Billion Premium Hike:** Markups on specialty drugs added $13.1 billion to commercial health insurance premiums in 2024 alone.
- **Medicare's "Handling Fee" is capped at 6%,** while hospitals often charge Texans a 500% markup.
- **The "340B" Profit Engine:** Under 340B, hospitals get deeply discounted drugs and still bill insurance the full cost, retaining 64% of payments as profit instead of passing savings to patients & employers.

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The "Consolidation Tax" in Texas

- **The Monopoly Markup:** Extensive research indicates that hospital mergers and private equity acquisitions frequently lead to higher patient prices without consistently improving the quality of care.
- **Market Power vs. Market Value:** Consolidation drives prices 15% to 30% higher than in competitive markets.
- **Texas as an Outlier in the U.S.:** Over 60% of Texans now live in "Highly Consolidated" hospital markets (up from 36% in 2016). In these areas, employer plans pay an average of 250% to 320% of Medicare rates.
  - **95% of Texas Metros:** In nine major Texas cities, just one or two systems control 100% of the market
- **Prices Grow 3X Faster in Houston:** The top three hospital systems have 70%+ of market share. One large insurer saw prices increase 19% between 2020 and 2024. In less consolidated markets, the insurer saw just 4-7% increases.

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The Private Equity "Roll-Up" (2000–2026)

- **20-Year PE Explosion:** U.S. health care private equity investment has grown 20-fold, skyrocketing from under $5 billion in 2000 to $104 billion in 2024.
- **The PE Price Markup:** Following PE takeover, hospital prices rise up to 16%, primary care prices jump 8% to 11% , and anesthesia increases 26% —with zero measurable improvement in care quality.
- **The Specialty Squeeze:** In high-margin specialties like GI and Dermatology, PE takeovers drive a 20% increase in charges and a 28% surge in prices.
- **The Texas Takeover:** PE firms now control over 30% of physicians in critical "must-have" specialties like Emergency Medicine - one PE firm currently handles nearly half of all hospital anesthesia in Texas and 70% in Houston.
- **Texas has the most private equity-owned hospitals** in the U.S.

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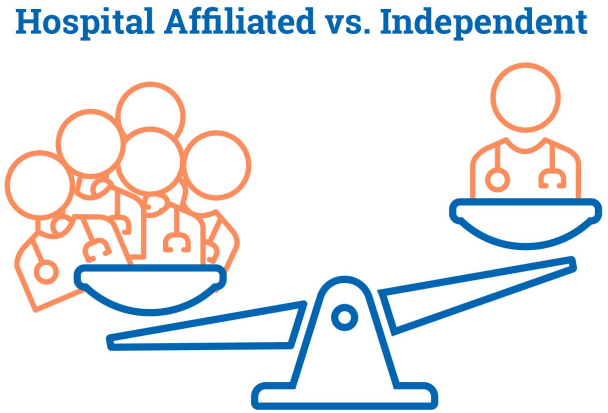
The "Hospital-Owned" Markup: Vanishing Private Practice

- **The Disappearing Private Practice:** As of 2024, half of all U.S. physicians are under hospital control, up from just 30% in 2012, as small, independent offices are consolidated into large systems.
- **The Immediate Price Surge:** When hospitals acquire physician practices, prices for the exact same services jump 15% post-acquisition—directly fueling higher health insurance premiums.
  - Prices increase even more when the acquiring hospital has more market power
  - There is little evidence of quality improvement
- **Negotiating Leverage:** 80% of physicians in practices acquired by hospitals say the primary driver was the desire to negotiate higher prices with insurers.



The "Hospital-Owned" Markup: Facility Fees

- **The "Facility Fee" Tax -** When a hospital buys a physician practice, they often add a Facility Fee, changing the clinic to a Hospital Outpatient Department (HOPD)
  - For the same procedure (like an ultrasound), the price can jump from $170 in an independent office to $650 at an HOPD.
- **Same Care, Higher Price:** The doctor didn't change, the building didn't move, and the care didn't get better—but a new fee was added.
- **Impact on Premiums:** These "Site-of-service" price hikes add an estimated $40 billion in unnecessary costs to the U.S. health insurance annually.
- **The 13x Price Gap:** For the exact same services, hospital outpatient prices are consistently higher than physician offices, with some prices surging to 13.5 times higher for identical procedures.

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Cost Driver: Demand for Behavioral Health Care

- **High Needs Patients Spiked Post COVID-19:** Claims for inpatient mental health services were up nearly 80% between January 2023 and December 2024.
- **Therapy in Focus for Texans:** For outpatient services (talk therapy, psychiatry visits, etc.) usage rose nearly 40%.
- **One of the Big Three Cost Concerns:** Insurers cite behavioral health services as a top three inflator of health spending and expect a 10-20% increase next year.
- **Telehealth Here to Stay:** Mental health visits via telehelath remain at nearly 30% post-COVID compared to 7% for primary care.

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Employer Efforts to Lower Premiums

- ✓ **Consumer Engagement:** New insurance products focus on transparency in pricing based on where a patient chooses to get care.
- ✓ **High Value Networks:** One-third of employers are connecting employees to quality, cost-efficient health providers.
- ✓ **New In-Network Only Options:** Employers are increasingly offering plan options with only in-network coverage (EPOs) at big savings for employees.
- ✓ **Shift to Biosimilars:** High cost biologic drugs are being replaced by biosimilar competitors, helping to lower spending for specialty drugs.
- ✓ **Managing GLP-1 Spending:** Employers are tightening eligibility requirements, requiring prior authorization, and using weight-management support programs to to root out wasteful spending.

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More Flexibility & Options To Lower Premiums

#1 **Allow Affordable Insurance Alternatives:** Texas should reduce regulations that limit lower cost alternatives for employers and families. Texans should be able to choose the coverage that fits their needs.

#2 **Empower Plan Innovation:** Remove barriers to innovative network designs and affordable health care coverage (Narrow, Tiered, and High-Performance).

#3 **Protect ERISA flexibility:** Oppose legislative attempts to impose costly mandates on self-funded (ERISA) alternatives for employers, maintaining affordable coverage options.

#4 **Avoid passing legislation that makes it harder to recover for fraudulent billing or overpayments**, including limits on using data analysis tools to identify fraud, barriers to recovering overpayments, and restrictions on investigations.

#5 **Eliminate Forced "Two-Plan" Mandates:** Repeal the requirement that forces employers to offer a costly out-of-network plan in addition to an affordable HMO.

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Addressing High Prices to Lower Premiums

#1 **Build on Price Transparency:** Consumers still lack a complete picture to shop. Require providers to post and accept cash price payments from all patients, even those with insurance.

#2 **Eliminate All Anti-Competitive Contracting:** When health systems take over health care markets they can demand inflated all-or-nothing contract terms.

#3 **Scrutinize Market Dominance:** Hospital systems and private equity physician firms have built anti-competitive market share with no state or federal oversight.

#4 **Establish facility fee billing transparency** to ensure medical bills match the true location of health care services. New facility fees should be transparent and avoidable.

#5 **Protect patients from inappropriate & excessive surprise facility fees** such as for telehealth & primary care.

#6 **Expand fraud, waste, and abuse protections:** Texas has strict laws to prosecute fraud, waste, and abuse against Medicaid plans. However, the same laws don't apply to protect employer and family health insurance.

#7 **Expand the health care workforce:** Particularly in behavioral health and primary care.

Questions?