Texas Department of Insurance

Working Together for a Healthy Texas

Insurance Reform Initiatives for Texans Without Health Insurance

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Major Topics of Discussion

- Insurance Market Overview
- Small Employer Uninsured Market Conditions, Expansion Efforts and Challenges
- Public/Private Options for Texans – New Legislation

Texans' Insurance Status - 2005

Group	Population	Texas Percentage	National Average Percentage
Insured Population	**17,304,000**	**75.8%**	**84.1%**
- Employment-based	11,965,000	52.4%	59.5%
- Individual	1,624,000	7.1%	9.1%
- Government-based	5,866,000	25.7%	27.3%
Uninsured Population	**5,516,000**	**24.2%**	**15.9%**
Total Population	**22,819,000**	**100%**	**100%**

Source: U.S. Census Bureau, Current Population Survey, 2006

Texas Department of Insurance

History of Uninsured Rates

Year	# of Uninsured	% Uninsured
1995	4,615,000	24.5%
1997	4,836,000	24.5%
1999	4,664,000	23.3%
2000	4,500,000	21.4%
2001	4,960,000	23.5%
2002	5,555,598	25.8%
2003	5,527,771	24.6%
2004	5,583,000	25.0%
2005	5,515,677	24.2%

Source: U.S. Census Bureau, Current Population Survey

Common Characteristics of the Uninsured

- **Age:** 45% of young adults 18-24 and 36% of 25-34 year olds are uninsured
- **Ethnicity:** 55% of uninsured are Hispanic
- **Income:** 63% of uninsured are under 200% FPL
- **Citizenship:** 76% of uninsured are US citizens; 54% of non-citizens are uninsured
- **Employment:** 66% of uninsured adults are employed; 44% work at firms with less than 25 employees; 27% work at firms with 500 or more employees

Uninsured Rates by Company Size - 2005

Size of Firm	Number of Uninsured Adults	Percent of Total Uninsured	Percent Uninsured within Size Category
Not reported	184,887	6.8%	54.7%
Less than 10	866,050	31.8%	40.9%
10-24	343,510	12.6%	37.5%
25-99	350,530	12.9%	27.3%
100-499	247,061	9.1%	22.1%
500-999	92,201	3.4%	17.0%
1,000 or more	638,417	23.4%	15.4%
Total	**2,722,657**	**100.0%**	**26.1%**

Source: U.S. Census Bureau, March 2006 Current Population Survey (Texas Sample)

HRSA State Planning Grant Program

Authorized by Congress to provide states with resources to:

- Collect data and conduct in-depth analysis of the uninsured population
- Evaluate options for expanding coverage
- Reach consensus on ideas to pursue

Texas SPG Project
Phase 1 – Initial Grant of $1.3 Million Awarded in 2001

- In-depth telephone survey of non-poor uninsured
- Survey of small employers
- Small employer health insurance fairs
- 45 focus groups w/individuals, employers and employees in 15 Texas cities/towns
- Actuarial contract to develop data and analyze expansion options
- Statewide conference – February 2002

Phase 2 – Supplemental Grant Award of $175,000 in October 2003

- Follow-up survey of small employers
- Analysis of the effectiveness of consumer choice plans
- Study of Health Insurance Risk Pool
- Evaluate options for college students and young adults

Phase 3 – Pilot Project Planning Grant Award of $398,500

- Design an insurance program for Houston-area small employers
- Develop marketing plan
- Conduct focus groups with small employers and their employees
- Work with carriers and agents to implement

Why Does Texas Have Such a High Rate?

Compared to states with low uninsured rates, Texas has:

- Lower average wages
- A higher proportion of small businesses
- Lower participation in public programs
- A higher proportion of non-legal citizens
- A large Hispanic population
- Low union participation
- Lower participation in employer-sponsored programs

Lower Rate of Government-based Insurance

State	2004 Uninsured Rate	Percent with Government-based Insurance
U.S.	15.7%	27.2%
Texas	25.0%	23.5%
Arkansas	16.4%	33.2%
California	18.7%	28.1%
Minnesota	8.9%	20.3%
New Mex.	21.0%	33.5%
New York	14.2%	29.9%
Wisconsin	10.4%	25.8%

Lower Rate of Employment-based Insurance

State	2004 Uninsured Rate	Percent with Employment-based Insurance
U.S.	15.7%	59.8%
Texas	25.0%	53.2%
Arkansas	16.4%	51.2%
California	18.7%	52.9%
Minnesota	8.9%	69.2%
New Mex.	21.0%	50.3%
New York	14.2%	60.8%
Wisconsin	10.4%	65.1%

Decreasing Rate of Employment-based Insurance

Year	People with Employment-based Insurance	Percent with Employment-based Insurance
1998	11,261,000	56.5%
1999	11,550,000	57.1%
2000	11,797,000	56.9%
2001	11,770,000	55.9%
2002	11,325,000	52.6%
2003	11,454,000	52.4%
2004	11,874,000	53.2%
2005	11.965.000	52.4%

Small Employers With Insurance

Year	Number of Small Employers with Insurance	Number of Insured Lives
1993	36,952	Unavailable
1994	50,144	Unavailable
1995	63,698	Unavailable
1996	74,164	Unavailable
1997	83,437	978,966
1998	86,106	1,608,737
1999	96,710	1,446,486
2000	97,793	1,444,480
2001	84,240	1,070,483
2002	89,201	1,192,386
2003	91,281	1,162,704
2004	91,456	1,189,319
2005	86,106	1,102,135
2006	88,571	1,178,414

Source: Figure 48 Insurance Filings with TDI

Health Insurance Challenges for Small Employers

- Cost
- Meeting and maintaining minimum participation requirements
- Lengthy health information / application forms from multiple carriers
- Employee education
- Concerns with rate instability

Texas Health Insurance Reform Initiatives

- Guarantee Issue
- Standard Benefit Plans
- Rate Bands
- Consumer Choice Plans
- Group Cooperatives and Coalitions

Other Reform Efforts

- TIPA – Texas Insurance Purchasing Alliance
  - Statewide cooperative from 1993-1999
- Texas Healthy Kids Corporation
  - Statewide, non-profit corporation that offered low-cost insurance for children from1997-2001
  - Closed with enactment of CHIP
- Texas Health Insurance Risk Pool
  - "Insurer of last resort" for unhealthy individuals from 1997-present
  - Currently insures 28,277 people
  - Average monthly premium is $490

History of Average Annual Small Employer Group Health Insurance Costs in Texas

Year	Average Annual Premium for Single Coverage	Average Annual Premium for Family Coverage
1997	$2,172	$5,534
1998	$2,270	$5,575
1999	$2,539	$6,486
2000	$2,955	$6,784
2001	$3,229	$7,974
2002	$3,580	$8,800
2003	$3,793	$9,831
2004	$4,346	$10,253
2005	$4,746	$11,196
2006	$5,111	$12,058

Source: Medical Expenditure Panel Survey and Employer Health Benefits Survey

Maximum Annual Per-Person Rates Reported for Small and Large Employer Groups – 2005

Company	Small Employer Groups	Large Employer Groups
A	$19,416	$6,864
B	$23,693	$8,304
C	$9,049	$13,750
D	$16,813	$17,887
E	$17,967	$12,177

Source: TDI Annual Group Accident and Health Insurance Survey

Consumer Choice Experience

	2004	2005
Number of Policies Issued		
Individual Policies	4,289	31,676
Small Employer Group Policies	670	2,528
Large Employer Group Policies	388	4,076
Total	**5,347**	**38,280**
Number of Lives Insured		
Individual Policies	7,383	60,386
Small Employer Group Policies	4,689	14,973
Large Employer Group Policies	5,373	12,316
Total	**17,445**	**87,675**
Total Premiums Collected		
Individual Policies	$10,335,111	$68,980,016
Small Employer Group Policies	$11,145,376	$34,386,620
Large Employer Group Policies	$11,940,387	$16,145,955
Total	**$33,420,874**	**$119,512,591**

Consumer Choice Experience
(Continued)

	2004	2005
Number of Policies Issued to Previously Uninsured Groups and/or Individuals		
Individual Policies	449	3,233
Small Employer Group Policies	176	325
Large Employer Group Policies	0	0
Total	**625**	**3,558**
Number of Lives Insured That Were Previously Uninsured		
Individual Policies	2,404	5,886
Small Employer Group Policies	1,879	1,439
Large Employer Group Policies	0	0
Total	**4,283**	**7,325**

How Much Can Small Employers Afford?

TDI Small Employer Survey

Cost Per-Employee-Per-Month that Employer Can Pay	2001	2004
Less than $50	23%	17%
$50	22%	17%
$100	20%	20%
$150	9%	8%
$200	5%	6%
$250	2%	2%
$300 or More	2%	1%
Would Not Purchase at Any Cost	14%	14%

Houston Pilot Project

- Design based on research under SPG Program
- Key features include
  - Average cost of $150 per employee per month
  - Simplified enrollment and rating process using modified community rating
  - Would allow on-line enrollment
  - Eliminated health-based underwriting
  - Developed with input from Harris County stakeholders
  - Actuarial work provided by Milliman actuarial firm
  - 88% of focus group employers in Houston indicated they would purchase the plan if available
- Status: Harris County Healthcare Alliance issued a request for proposal in February. No contract has been awarded yet

Key Features of Other States'Public / Private Insurance Arrangements

- The state allots each beneficiary a premium amount to subsidize / purchase an approved benefit plan.
- May allow flexibility for "added benefits"
- Individual plans or employment-based, or both
- Premium allotments / subsidies may vary based on health needs and eligibility category / income – full or partial subsidies

Subsidy Example 1: New Mexico

- The state contracts with managed care organizations for a standard small employer product
- Available to uninsured working adults below 200% FPL
- Can enroll through employer or as an individual if employer doesn't offer
- State subsidizes cost
- Enrollment: 5,000

Subsidy Example 2: Oklahoma

- Targets employers with less than 25 employees
- State subsidizes coverage for workers less than or equal to 185% FPL and working disabled less than or equal to 200% FPL
- Choice of several plans
- Enrollment: up to 50,000 lives

Subsidy Example 3: Arkansas

- Small employer coverage
- Limited benefit plan provided by self-funded state-sponsored plan; could not reach agreement with insurers
- Enrollment targets of 50,000 workers under 200% FPL and 30,000 workers over 200% FPL

Massachusetts Connector Program

- Part of a multi-faceted approach in Massachusetts to achieve 100% insured rate
  - 11% uninsured rate per CPS; 6% per state survey
  - 60% of employers offer coverage per CPS; 83% of residents have employer coverage per state survey
- "Connector" will serve as a clearinghouse to assist individuals and employers to purchase coverage; is a facilitator, not a purchaser
- Provides subsidized and unsubsidized plans
- "Connector" is a separate agency that operates under a Board of Directors of private and public representatives, four of whom lead state agencies; 22 staff members

Massachusetts Connector Program (Continued)

- "Connector" is currently funded by state appropriations, but will eventually be paid by surcharge on insurance companies
- Four carriers currently offer approved plans with subsidies
- Separate less comprehensive option will be available for adults ages 19-26
- Will merge existing group and individual markets
- Subsidies are available to families with incomes less than or equal to 300% FPL
- Initial proposed plans for unsubsidized coverage were more expensive than expected (average $380 per member per month); final plans are not yet approved

Key Points when Considering a Connector-type Model

- Demographics and economic status of uninsured
  - Texas: 24.2% uninsured, 5.5 million people
  - Massachusetts: 6-10% uninsured, 375,000-500,000 people
- Availability of funding resources; is the goal to:
  - provide less expensive / better value coverage for the currently insured?
  - provide alternatives?
  - extend coverage to the uninsured?
- Insurance regulatory structure and impact on existing market
- Massachusetts mandates coverage for all people

Newly Enacted Legislation in 2007

SB 10 – Medicaid Reform and Health Care Benefit Programs

- Creates Texas Health Opportunity Pool (HOP) if approved by CMS; would allow new mechanisms for funding uncompensated care
- Requires TDI to work with the Health and Human Services Commission (HHSC) to study and possibly establish premium assistance program
- Requires TDI to study concept of “Healthy Texas Program” which would offer small employer health insurance]
- Creates the health and long-term care insurance incentive committee to study health insurance/LTC markets and recommend options for expanding coverage
  - TDI serves on committee
  - Must look at premiums, administrative costs, development of reinsurance system for claims exceeding $50,000, premium subsidies, inclusion of dependents regardless of age, use of health care technology to save money

Newly Enacted Legislation in 2007 (Continued)

SB 1731 – Consumer Access to Health Care Information

- HHSC must collect and provide information regarding facility pricing practices
- Establishes pricing requirements for physician and facility billing practices
  - Disclosure
  - Cost estimates
  - Itemized statements
  - Refunds
- Requires creation of Consumer Guide to Health Care, posting on HHSC and Texas Medical Board websites

Newly Enacted Legislation in 2007 (Continued)

SB 1731 – Insurance Components

- Requires TDI to collect health benefit plan reimbursement rates and to publish aggregate, regional data
  - Gives TDI rulemaking authority to develop reporting requirements
- Requires TDI to collect and publish HMO and PPO data regarding enrollee satisfaction, quality of care, premium costs and increases, plan benefits, claims payment, and network adequacy
- Requires TDI to work with advisory committee to study network adequacy
- Requires health plans/HMOs to provide a prospective estimate of payments for medical services and information on whether proposed services are covered

Role of Insurers / HMOs

- Plan Design: compliance with CMS and state; different plans for different groups (plan A, B, C), Group and Individual
- Marketing: targeted by eligibility groups, directing them to specific plans (A, B, C)
- Enrollment: Insurer responsibility, with reporting to HHSC for verification
- Premium Collection: state pays insurer directly, or individual pays with account funds; employer pays directly to insurer
- Benefit Administration: insurer processes claims, provides authorizations and handles disputes
- Risk Assumption: insurer is at risk for claims costs / health care services up to policy limits

Benefits of a Private / Public Insurance Model

- Existing insurance / provider infrastructure
- Marketing and outreach programs in place
- Employer-based coverage would enable more employers to meet participation requirements, covering more uninsured
- Additional tax benefits for participating employers and employees
- Keeps families together under one plan
- May limit erosion of employer-based coverage

Insurance Regulatory Issues

- Benefit plan design: benefit requirements vary in private benefit plans; will need “approved” plans
- Consumer education
- Marketing: direct purchase and agent participation
- Data collection and reporting
- Premium rate regulation: medical underwriting, public vs. private
- Allocation of premium: medical costs vs. administrative costs, profit
  - Not subject to regulation
- Cost impact / cost shifting to private market

Possible Insurer Concerns

- Enrollment: mandatory or optional? Risk of "adverse selection"
- Benefit plan design: added services or benefits not usually covered
- Administrative costs
- Reporting requirements
- Rate regulation
- Rate trending
- Stop-loss / reinsurance protection for high claims
- Effect on existing market
- Crowd-out – public/private competition
- Churning and costs of turnover among insureds

Affordability Factors

- Lower cost / better value?
- What can/will the uninsured pay?
- Massachusetts: target no more than 6% of income for insurance
  - Subsidies up to 300% FPL
- National study (Health Affairs)
  - 25% eligible for public coverage
  - 56% need assistance / subsidy
  - 20% can afford coverage
  - Affordability is measured as a percent of income, not a fixed amount
- SCHIP: 5% of family income for premiums, cost sharing

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