



## SB 6: HEALTHY TEXAS

The Center for Public Policy Priorities (CPPPP) appreciates this opportunity to testify on SB 6, which will create the Healthy Texas program. With nearly 6 million Texans lacking health insurance coverage and the cost of coverage growing ten times faster than incomes, Texas needs to take bold steps to confront issues with access to health coverage. Healthy Texas has the potential to put private health insurance coverage within reach of many uninsured Texans working for small employers by addressing the primary barrier to coverage—the high cost of premiums—using a public-private partnership.

### Key Components of Healthy Texas

Because Healthy Texas will use taxpayer money to cover some high cost claims, reducing risk and variability faced by insurance companies, it is both appropriate and necessary that the rules governing coverage access and affordability in Healthy Texas be different than the current small group market. To be a successful program that meets the needs of consumers and small employers, Healthy Texas must include the key components listed below.

- **Healthy Texas has the potential to help many more small employers afford to offer coverage.**
- **Because public money invested in Healthy Texas reduces risk for insurers, coverage should be more accessible than in the current small employer market.**
- **Healthy Texas should not base premiums on health status and should reduce wide variation in premiums compared to the small employer market.**
- **Employers will benefit from Healthy Texas plans that allow for apples-to-apples comparisons.**

- Lower premiums.
- Reduction in the wide variability in premiums charged to lower- and higher-risk groups. All groups should be charged rates closer to the average.
- People with health conditions should not be priced out of coverage (no medical underwriting). People must be able to afford coverage both when healthy and sick.
- A small number of plan options that offer choice, but also allow small employers to easily understand the differences in plans and make apples-to-apples comparisons of policies among health plans.
- Reasonable rates. Rates charged should be reviewed and approved by the Texas Department of Insurance (TDI) to ensure they are reasonable in relation to benefits and properly reflect the reduced risk to carriers.
- Coverage targeted to small employers with low-wage earners who would have the most difficulty affording coverage in the private market.
- Flexibility for TDI to monitor Healthy Texas and make adjustments to improve the program.

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## Premium Variability and Medical Underwriting

One of the most important decisions in the design of Healthy Texas is how to price premiums. It is critical that premiums not be based on a person's health status (i.e. no medical underwriting), and that only minimal premium variation be allowed for other factors like age and gender. SB 6 limits rating factors to age and gender, but gives the Commissioner of Insurance discretion to add rating factors. Because of that discretion, *SB 6 could be strengthened if it clearly indicated that health should not be used as a rating factor.*

The commercial small employer health insurance market uses rate bands to limit variation in premiums somewhat, but data from TDI show clearly that enormous variations in pricing still exist. Some small employers pay nearly \$30,000 a year per employee compared to the average premium paid by some more fortunate employers of less than \$4,000 a year per person. If this type of variation in premiums were allowed in Healthy Texas, it would be impossible to determine what premium savings are achieved in the program. Setting premiums using pure or modified community rating would have the following benefits:

- Employers could use a simple rate chart to easily determine what premiums they would have to pay for coverage. This is a significant improvement over the current process, which is complicated, time-consuming, and often cited by small employers as a barrier to obtaining coverage.
- Small employers who are currently priced out of the market because they have higher-risk employees like women of childbearing age, older employees, or employees with health conditions would have access to a more affordable health insurance option.
- The program will be simpler and less costly to administer.
- Clear premium savings achieved through the investment of public reinsurance could be determined.

## Apples-to-Apples Plan Comparisons

SB 6 wisely allows the Commissioner to create a standardized Healthy Texas plan (or plans) and set minimum standards for coverage. When surveyed by TDI, employers express a preference for standardized plans that allow for apples-to-apples comparisons. The infinite variability in health insurance policies on the market makes it impossible for employers and individuals to make effective comparisons. Not only will a standardized plan make health coverage easier for employers, it will make the program easier for TDI to administer. Determining premium savings and reinsurance pricing will be dependent on the benefit plan structure, thus a standardized plan or plans will make the program easier and cheaper to administer.

## Reasonable Rates

SB 6 includes critical rate oversight by TDI. Without appropriate oversight by TDI, the state will have no way to know if public, taxpayer money given to health insurance companies translates into reduced premiums rather than a windfall for insurers. Because of the infusion of public funding, it is imperative that rate oversight in Healthy Texas be more stringent than in the unregulated commercial market.

## Targeted Coverage

SB 6 targets Healthy Texas coverage so that the benefits of the public investments reach low- and moderate-income Texans who have the most difficulty affording health insurance premiums. TDI should monitor the program overtime to ensure that the lower employer-participation rate does not result in the lowest-income employees opting out of Healthy Texas coverage.