For Immediate Release
November 29, 2011

Contact

Stacey Pogue
512-320-0222, ext 117
pogue@cppp.org

Blake Hutson
512-651-2926
mhutson@consumer.org

Texas Consumers Stand to Lose $260 Million in Health Insurance Rebates Under State Proposal

(**AUSTIN**, **Texas**) — On Monday, Federal officials finalized an application from the Texas Department of Insurance (TDI) to delay full implementation of a new rule that requires insurers to increase the value of health insurance or provide rebates to policyholders.

If approved, Texans who buy insurance on their own outside of the protection of an employer could lose $350 in forthcoming rebates on average.

"This is a bad deal for Texans who buy insurance own their own," said Blake Hutson, outreach coordinator with Consumers Union. "TDI's request puts insurer's profits over consumer's pocketbooks and sets up the State to miss a critical opportunity to slow rising insurance premiums."

The requirement, known as the medical loss ratio, is a key component of the federal health reform law. It requires insurers to spend at least 80 percent of premium dollars on actual health care and quality improvement, as opposed to administrative expenses, or refund the difference to policyholders. The state's application shows that some Texas insurers today spend up to 50 percent of premiums on overhead and administration.

TDI estimates that Texas consumers will be due $160 million a year under the new rule, but the state's request will cause consumers to lose out on a total of $260 million in rebates from 2011-2013.

"Consumers deserve good value for their hard-earned premium dollars," said Stacey Pogue, senior policy analyst with the Center for Public Policy Priorities. "If given a chance to work, this new rule will make insurers be more efficient and put downward pressure on premiums."

"This application moves Texas in the wrong direction," said Laura Guerra-Cardus, associate director of Children's Defense Fund-Texas. "Delaying this new protection will only make it harder for Texas families to provide health insurance for their children."

The state's application cites concerns about the "ongoing stability of the individual health insurance market" unless an

continued

adjustment is granted from the new rule. However, the state asked its more than 30 insurers providing individual market coverage if they intend to remain in the market, and insurers representing 94 percent of the market indicated they'd stay, even under full implementation of the new rules. Only two insurers with just 0.68 percent of the market indicated plans to leave Texas.

"The idea adds insult to injury for Latino consumers to purchase health insurance coverage; they were the hardest hit by the recession, have the lowest wages, and represent over half of the state's uninsured population," said Juan Flores, executive director of La Fe Policy Research and Education Center.

Comments on the state's request for an adjustment to the rule are due by December 8 and federal officials will issue a final decision within 60 days.

— CPPP —

About Us

The Center for Public Policy Priorities (CPPP) is a nonpartisan, nonprofit policy institute committed to improving public policies to better the economic and social conditions of low- and moderate-income Texans. You can learn more about CPPP at www.cppp.org.

CPPP and the following members of the Cover Texas Now coalition that work for access to affordable health coverage for Texans have called the state's action a bad deal:

Alamo Breast Cancer Foundation
Consumers Union
Center for Public Policy Priorities
Children's Defense Fund of Texas
Gateway to Care
Institute for Disability Access/ADAPT of Texas
La Fe Policy Research and Education Center
Legacy Community Health Services
Texans Care for Children
Texas Impact
TexPIRG

Join us across the Web

Twitter: @CPPP_TX
Facebook: www.facebook.com/bettertexas
YouTube: www.youtube.com/CPPPvideo