



## SB 6: HEALTHY TEXAS

Nearly 6 million Texans are uninsured, and premiums in Texas are growing ten times faster than our incomes. With only one-in-three small employers offering coverage, bolstering access to employer-sponsored coverage through small businesses is an essential step in covering the uninsured. Because previous efforts to increase access for small employers have had limited success, we need bold, innovative steps like SB 6. Healthy Texas can 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 an innovative public-private partnership. SB 6 passed out of the House Insurance committee and is waiting to be set on the House calendar.

- **Healthy Texas can help many more small employers afford to offer health insurance coverage.**
- **Because public money invested in Healthy Texas reduces risk for insurers, coverage will be more accessible than in the current small employer market.**
- **Healthy Texas expands access through more affordable premiums and reduced premium variation.**
- **Small employers will benefit from Healthy Texas plans that allow for apples-to-apples comparisons.**

SB 6 creates the Healthy Texas program that will provide access to quality health insurance with decreased premiums for small employers' low-wage employees. Healthy Texas is based on a successful program in New York that increased access to coverage for small employers and reduced premiums by 30 percent or more. Healthy Texas will work alongside, not replace, the current market by targeting access to an underserved market segment: small employers with low-wage employees who have not offered health insurance for at least one year.

### How it Works

SB 6 establishes the Healthy Texas Small Employer Premium Stabilization Fund (or "public reinsurance"). The fund covers some of the high cost-claims made by individuals in the Healthy Texas program. By "publicly reinsuring" some high-cost claims, Healthy Texas reduces risk and variability faced by insurers covering small groups. In turn, health plans will offer Healthy Texas coverage with lower premiums and fewer traditional barriers to access (e.g. lower minimum participation requirements and no medical underwriting).

Health plans participating in Healthy Texas would pay the first \$5,000 in claims each year for covered individuals. Only about 10 percent of privately insured individuals have annual claims costs that exceed \$5,000 a year. Health plans could seek reimbursement from the fund for 80 percent of claims costs from \$5,000 to \$75,000 for a person in a year. The health plan would cover the full cost of claims above \$75,000.

Small businesses with two-to-50 employees may qualify to buy health insurance coverage through Healthy Texas if they meet all of the following conditions.

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- At least 30 percent of employees must earn less than 300 percent of the federal poverty level, or \$32,490 a year in 2009.
  - Group health insurance was not offered to employees in the last year.
  - 60 percent of eligible employees must participate in the coverage.
  - The employer must cover at least half of the premium cost for employees.

## Funding

The fiscal note for SB 6 shows an estimated cost to GR of \$113 million over the biennium. The fiscal note grows over the first five years because it assumes an enrollment of 50,000 people in the first year and an additional 50,000 people added each year. However, Healthy Texas is not an entitlement program, and SB 6 clearly instructs the Department of Insurance to cap enrollment at an amount that can be supported through appropriations to the Small Employer Premium Stabilization Fund. Regardless of the fiscal note, in practice, enrollment in and costs of Healthy Texas will be determined by the amount actually appropriated. SB 6 is not currently funded in the budget, but could be funded through a contingency rider.

## Key Components of Healthy Texas

Because taxpayer money is used to reduce insurance companies' risk, it is both appropriate and necessary that rules governing Healthy Texas differ from the current small group market. SB 6 includes the following key components to ensure Texas' investment in Healthy Texas increases access to quality coverage for small employers and their employees.

- **Lower premiums.** Actuarial projections show an average premium around \$200 per person per month.
- **Reduction in the wide variability in premiums now charged to lower- and higher-risk groups.** All groups will be charged rates closer to the average. Projections show a premium range from \$135 to \$465 per person, per month. In the current market, some small employers pay **\$2,400 a month per employee** compared to average premiums paid by more fortunate employers of around \$400 a month per employee. If this type of wide variation in premiums were allowed in Healthy Texas, it would be very difficult to determine what premium savings are achieved in the program.
- **Health status not used to set premium rates (no medical underwriting).** People need access to affordable coverage both when healthy and sick. Employers can use a simple rate chart to easily determine what premiums they owe, a significant improvement over the current process, in which small employers cannot get a true final rate quote until after a time-consuming underwriting process.
- **A small number of standardized plan options will be offered 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 will 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 cost risk to carriers.
- **Coverage targeted to small employers with low-wage earners who have the most difficulty affording coverage in the private market.**
- **Flexibility for TDI to monitor and make adjustments to improve the program.**

As health insurance premiums continue to increase and outpace small employers' ability to afford coverage, we need new tools and strategies. Public/private partnerships, like Healthy Texas, represent an opportunity to build on the strengths of the private market and expand access to coverage for uninsured working Texans and their families.