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Stacey Pogue, [pogue@cphp.org](mailto:pogue@cphp.org)

## What's at Stake: Texas Has the Most to Lose if the Supreme Court Overturns Health Reform

Texas is arguably the biggest beneficiary of the Affordable Care Act (ACA), the national health reform law. That means Texans have the most to gain or lose as the U.S. Supreme Court determines the constitutionality of the ACA. This policy page describes what is at stake for Texans as the Supreme Court reviews the ACA.

### Economic Impact

Because one of every four Texans is uninsured—the highest uninsured rate in the nation—Texas stands to gain more than any other state in terms of newly covered citizens and new federal funding that will support coverage. Under health reform, Texas will get an average of \$20 billion annually in new federal money—\$13 billion a year on average will flow to Medicaid to provide coverage for Texans living in or near poverty and another \$7 billion a year on average will provide sliding scale subsidies for low- and moderate-income Texans who buy private health insurance in the “exchange,” a new competitive online market.<sup>1</sup> The federal government will pay the overwhelming share of the coverage expansions that start in 2014. Texas is estimated to spend about \$1 billion a year from our state budget in Medicaid matching funds.<sup>2</sup> The federal subsidies for private insurance through the exchange are fully federally funded; no state match is required. Paying just one state dollar for every 20 federal dollars to support health coverage for Texans is a great deal for the state. If the ACA is struck down and the significant federal investment in coverage for Texans is lost, the state would be unable to replace it with any state-level programs or coverage expansions that would provide comprehensive coverage to as many Texans as the ACA.

The influx of new federal funding in Texas will be a huge economic boost to Texas' health care sector and our state economy as a whole and will likely reverse Texas' status as a “donor state” – sending more tax dollars to Washington D.C. than are returned to the state.

### Benefits for the Uninsured

More than 6 million Texans are uninsured today. Being uninsured can have dire consequences for a person's economic security and health security. The uninsured are more likely to postpone or go without needed medical care. They are less likely to have a usual source of care and more likely to report difficulty paying medical bills.<sup>3</sup> On average, the uninsured live sicker and die younger than people with insurance. Lack of access to preventive care means health conditions are not caught as early, when they are less serious, more treatable, and potentially less expensive. In the U.S., 26,100 people die prematurely each year because they lack insurance. In Texas, 2,955 people die prematurely each year—1 premature death every 3 hours—due to being uninsured.<sup>4</sup>



Starting in 2014, the ACA will help provide coverage to most of Texas' uninsured in two ways:

1. An expansion of Medicaid to adults earning up to 133 percent of the federal poverty level (\$30,700 a year for a family of four); and
2. Families who earn too much to qualify for Medicaid, but less than \$92,000 a year for a family of four and do not have affordable job-based coverage can qualify for sliding-scale subsidies for private coverage in the exchange.

If the coverage expansions slated for 2014 were fully implemented today, the Urban Institute and Robert Wood Johnson Foundation estimate that the uninsured rate of Texas' non-elderly population would be cut by more than half – from 30 percent to 13 percent. The magnitude of this decline—a 17 percentage point drop—is larger in Texas than any other state. Nearly 2 million Texans would be covered through the health insurance exchange (70 percent of whom would qualify for a sliding-scale subsidy of \$3,200 a year on average). Nearly 1.5 million adults would be newly eligible for Texas Medicaid, and another 560,000 kids who are currently eligible for Medicaid but uninsured would enroll.<sup>5</sup>

### **Benefits for Texans with Insurance**

Because such a large share of Texas residents lack insurance – one of every four Texans, a greater share than any other state – the burden of the uninsured is felt by all Texans, including those with insurance. There is a human toll to having so many of our friends and family members uninsured and an economic toll when so much of our labor force is uninsured. There are also financial implications—higher premiums for people with insurance and higher local taxes for all as uncompensated health care costs for the uninsured are shifted within the system.

The uninsured often cannot pay fully for the medical care they receive. Not only do they lack coverage that helps to pay medical bills, the uninsured are often charged more than patients with insurance. Since those without insurance tend to have lower incomes, they are often in a position where it is difficult to make ends meet even without the added burden of health care bills. Some uncompensated care costs are borne by the federal government and counties (and their taxpayers). Others are shifted to employers and individuals with health insurance as doctors and hospitals make up for some uncompensated care by raising the prices they charge to people with insurance. This “hidden tax” raises health insurance premiums for family coverage in Texas by an average of \$1,800 a year, more than in much of the rest of the country.<sup>6</sup>

The ACA will lead to a dramatic reduction in Texas' uninsured population, reducing the cost-shifting that inflates health insurance premiums. This is just one way that people with insurance benefit from the ACA. They also benefit from many of the ACA's consumer protections already in effect and additional reforms that will start in 2014, both discussed below.

### **Millions of Texans are Already Benefiting from Health Reform**

Several ACA provisions are in effect now, benefiting people across the state and nation. These important consumer protections and many others that will take effect in 2014 are at stake as the Supreme Court considers the ACA.

<a href="#"><u>7.5 million</u></a>	Texans no longer have a lifetime limit on their health insurance.
<a href="#"><u>300,731</u></a>	Young adults under age 26 in Texas have stayed on their parent's policy. Nationwide, <a href="#"><u>3.1 million</u></a> Americans age 19-25 have gained coverage.
<a href="#"><u>5,092</u></a>	Texans have enrolled in the Pre-existing Condition Insurance Plan as of March. PCIP provides good coverage at market rates for people with pre-existing conditions who have been uninsured for six months or longer. More than 61,000 have enrolled nationwide.
<a href="#"><u>81%</u></a>	Share of Texas small businesses (25 or fewer employees) estimated to be eligible for tax credits of up to 35 percent of a small employer's cost of coverage.
<a href="#"><u>11%-44%</u></a>	Range of proposed rate increases for small employer coverage currently under review by TDI. With help from \$1 million in federal ACA grants, TDI is determining if increases are reasonable.
<a href="#"><u>\$167 million</u></a>	Total rebates that will be paid by August 1 to Texas families and employers whose health plans did not spend at least 80 cents of every premium dollar on health care. Texas leads the nation in money that will be returned by insurers to consumers.
<a href="#"><u>3.8 million</u></a>	Texans with private insurance who can now get preventive care, such as vaccines, cancer screens, and well-child check-ups, with no copay or deductible.
<a href="#"><u>2.2 million</u></a>	Texans in Medicare received a check-up or preventive service with no copay in 2011.
<a href="#"><u>\$135 million</u></a>	Was saved in 2011 on prescription drugs by Texans in Medicare who hit the "donut hole," or coverage gap, with an average savings of \$639 per person.
<a href="#"><u>\$445 million</u></a>	Has been received by more than 120 of Texas' largest employers—e.g., AT&T, American Airlines, Southwest Airlines, Texas Instruments, and the State of Texas—to make early retiree health coverage affordable.
<a href="#"><u>12,451</u></a>	Texans called the new Consumer Health Assistance Program at the Texas Department of Insurance (TDI), which helps Texans find coverage and understand their rights.

Sources: As linked; compiled by Center for Public Policy Priorities.

## More ACA Benefits Start in 2014

The most sweeping changes in the ACA start in 2014, when for the first time, the U.S. will have a system in place for making comprehensive care available to all lawfully present Americans at a price they can afford. Improvements to our health care system starting in 2014 include:

- Medicaid will be expanded to cover U.S. citizen adults up to 133% of poverty (\$30,700/year for a family of four). Parents of kids on Texas Medicaid and other poor adults will qualify for coverage for the first time.
- Exchanges, new competitive health insurance marketplaces, will open in all states. Sliding scale subsidies are available up to 400% of poverty (\$92,200 for a family of four).
- Insurance companies can no longer deny coverage due to pre-existing conditions or charge people more because of their health status.
- Insurance companies can no longer charge women more because of their gender or charge the smallest businesses more because they have few employees.
- Many policies will be subject to “essential health benefits,” a new floor for coverage that will ensure health insurance covers a comprehensive set of medical services. Without these protections today, some policies lack critical benefits, such as maternity care, mental health, habilitative care, and prescription drugs.

## Conclusion

Texas has more to gain from health reform implementation than any other state—and more to lose if the Supreme Court overturns the law. Millions of people across Texas and the nation are already benefiting from the ACA, and if the law stays intact, Americans will gain many additional benefits and consumer protections in 2014.

The ACA brings with it some big changes in how people who do not have job-based insurance or Medicare can access coverage. Like landmark legislation that came before it, the ACA has generated both fierce support and opposition. Both the Social Security Act and the Civil Rights Act generated hostility and were even declared unconstitutional by lower courts before being upheld by the Supreme Court. These laws have been improved over time and have become a central part of American society. If the ACA’s path is the same, Texans will be big winners.

*Marcus Denton, Health Policy Intern, contributed to this report.*

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### For More Information

For more information or to request an interview, please contact Brian Stephens at [stephens@cphp.org](mailto:stephens@cphp.org) or 512.320.0222, ext. 112.

### About the Center

The Center for Public Policy Priorities is a nonpartisan, nonprofit policy institute committed to improving public policies to make a better Texas. You can learn more about the Center at [CPPP.org](http://CPPP.org).

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<sup>1</sup> Figure includes only estimated federal funding for the Medicaid expansion and sliding-scale subsidies in the health insurance exchange from 2014-2019. Texas has received and will get additional federal ACA funds through grants, demonstrations, and other initiatives. Estimates on federal and state funding for coverage expansions from Texas Comptroller of Public Accounts, *Diagnosis: Cost—An Initial Look at the Federal Health Care Legislation’s Impact on Texas*, June 2010, [www.cpa.state.tx.us/specialrpt/healthFed/](http://www.cpa.state.tx.us/specialrpt/healthFed/).

<sup>2</sup> Texas Comptroller of Public Accounts, *Diagnosis: Cost—An Initial Look at the Federal Health Care Legislation’s Impact on Texas*, June 2010, [www.cpa.state.tx.us/specialrpt/healthFed/](http://www.cpa.state.tx.us/specialrpt/healthFed/).

<sup>3</sup> The Kaiser Commission on Medicaid and the Uninsured, *The Uninsured: A Primer*, October 2011, <http://www.kff.org/uninsured/upload/7451-07.pdf>.

<sup>4</sup> Families USA, *Dying for Coverage*, June 2012, [familiesusa2.org/assets/pdfs/Dying-for-Coverage.pdf](http://familiesusa2.org/assets/pdfs/Dying-for-Coverage.pdf).

<sup>5</sup> Urban Institute and Robert Wood Johnson Foundation, *Health Reform Across the States: Increased Insurance Coverage and Federal Spending on the Exchanges and Medicaid*, March 2011, <http://www.urban.org/uploadedpdf/412310-Health-Reform-Across-the-States.pdf>.

<sup>6</sup> Center for American Progress Action Fund, *The Cost Shift from the Uninsured*, March 2009, [http://www.americanprogressaction.org/issues/2009/03/pdf/cost\\_shift.pdf](http://www.americanprogressaction.org/issues/2009/03/pdf/cost_shift.pdf).