



SB 879/HB 2064: HIGH RISK POOL DISCOUNT PROGRAM

The Texas Health Insurance Risk Pool (risk pool) was created by the Texas Legislature to provide health insurance to eligible Texas residents who, due to medical conditions, are unable to obtain health insurance. Because state law in Texas allows health insurers to deny coverage to people with preexisting conditions in the individual market, many Texans with medical conditions can only get coverage through the risk pool. Risk pool coverage provides a lifeline to some, but the high cost of risk pool coverage places it out of reach for most Texans. SB 879 and HB 2064 create a sliding scale discount program in the risk pool that will help more low- and moderate-income Texans afford coverage.

- As the “health insurer of last resort,” the risk pool provides valuable access to health insurance coverage for Texans who are considered medically uninsurable.
- The high cost of risk pool coverage prevents it from serving its intended purpose for many Texans.
- A sliding scale discount program will enable more low- and moderate-income Texans to buy risk pool coverage instead of joining the ranks of the uninsured.

Risk Pool Coverage is Unaffordable for Many

By law, the Texas risk pool must charge premium rates that are double the rate charged for comparable coverage in the individual market. Only three other states charge risk pool premiums rates as high as Texas. Currently, the average risk pool premium is around \$600 per month, which is reflective of a plan with a \$2,500 annual deductible. Based on rating factors like age, gender, geographic area, deductible selected, and smoking status, some risk pool enrollees are charged premiums as high as \$1,700 a month. Since the risk pool began offering coverage in 1998, premiums have increased 13% per year on average.

Average risk pool costs per enrollee—before co-payments and co-insurance—are nearly \$10,000 a year (\$600 premium x 12 months + \$2,500 deductible = \$9,700 per year). This cost is a prohibitive barrier for low- and moderate-income Texans for whom average risk pool costs for just one family member can represent a significant portion of family income. As shown in the table on the next page, for a family of three at 200% of the federal poverty level (\$36,620 a year), coverage for just one family member will consume 26% of the family’s income.

Declining Risk Pool Enrollment

In part because of the high cost of coverage, enrollment in the risk pool began declining in 2007 for the first time in the risk pool’s 10-year history. This decline is happening at the same time we would expect to see increasing enrollment due to the growing number of Texans losing access to employer sponsored insurance. With risk pool premiums increasing much faster than incomes in Texas, fewer people can afford to maintain risk pool coverage.

Risk Pool Cost per Enrollee as a Percentage of Income

Annual income		Today		With SB 879/HB 2064	
		Annual cost (average premium + deductible) per enrollee ¹	Cost for just one person as percentage of family income	Annual cost (discount premium + deductible) per enrollee ^{2,3}	Cost for just one person as percentage of family income
300% of the federal poverty level (family of 3, 2009)	\$54,930	\$9,700	18%	\$7,540	14%
200% of the federal poverty level (family of 3, 2009)	\$36,620	\$9,700	26%	\$7,540	21%
150% of the federal poverty level (family of 3, 2009)	\$27,465	\$9,700	35%	\$6,100	22%
At the poverty level (family of 3, 2009)	\$18,310	\$9,700	53%	\$6,100	33%

1. Current annual risk pool costs shown include the average annual premium plus a \$2,500 annual deductible (\$600 monthly premium x 12 months + \$2,500 deductible = \$9,700 per year).
2. SB 879/HB 2064 have a 30% premium discount for 200-300% FPL. Annual costs shown include a 30% discount on the average premium plus a \$2,500 annual deductible (\$420 premium after the 30% discount x 12 months + 2,500 deductible = \$7,540 per year).
3. SB 879/HB 2064 have a 50% premium discount for 0-199% FPL. Annual costs shown include the 50% discount on the average premium plus a \$2,500 annual deductible (\$300 premium after the 50% discount x 12 months + 2,500 deductible = \$6,100 per year).

SB 879 / HB 2064

SB 879 and HB 2064 create a sliding scale premium discount program for the risk pool. This program will begin to address affordability issues in the risk pool and help it serve the purpose for which it was created—providing access to coverage for people who are medically uninsurable. The sliding scale nature of the discount gives the most help to those with the lowest incomes. Because even moderate-income families have difficulty affording risk pool coverage, the discount extends to families up to 300 percent of the federal poverty level (\$54,930 for a family of three).

As shown in the table above, SB 879/HB 2064 would result in risk pool coverage consuming a lower percentage of family budgets for families at or below 300 percent of the federal poverty level. For families below 200 percent of poverty, these bills will reduce premiums by 50 percent. For families between 200 and 300 percent of poverty, these bills reduce premiums by 30 percent. Because risk pool coverage is so expensive to begin with and discounts apply only to premiums (not deductibles or co-payments), these discounts will not make coverage easy to afford for low-income families. For example, discounted annual risk pool costs for one person will still consume one-third of income for a family of three at the poverty level, but without the discount, the same coverage consumes half of family income.

The sliding scale premium discounts in SB 879 and HB 2064 will make risk pool coverage more affordable for low- and moderate-income families and will allow more Texans with health conditions to buy risk pool coverage instead of being uninsured.