

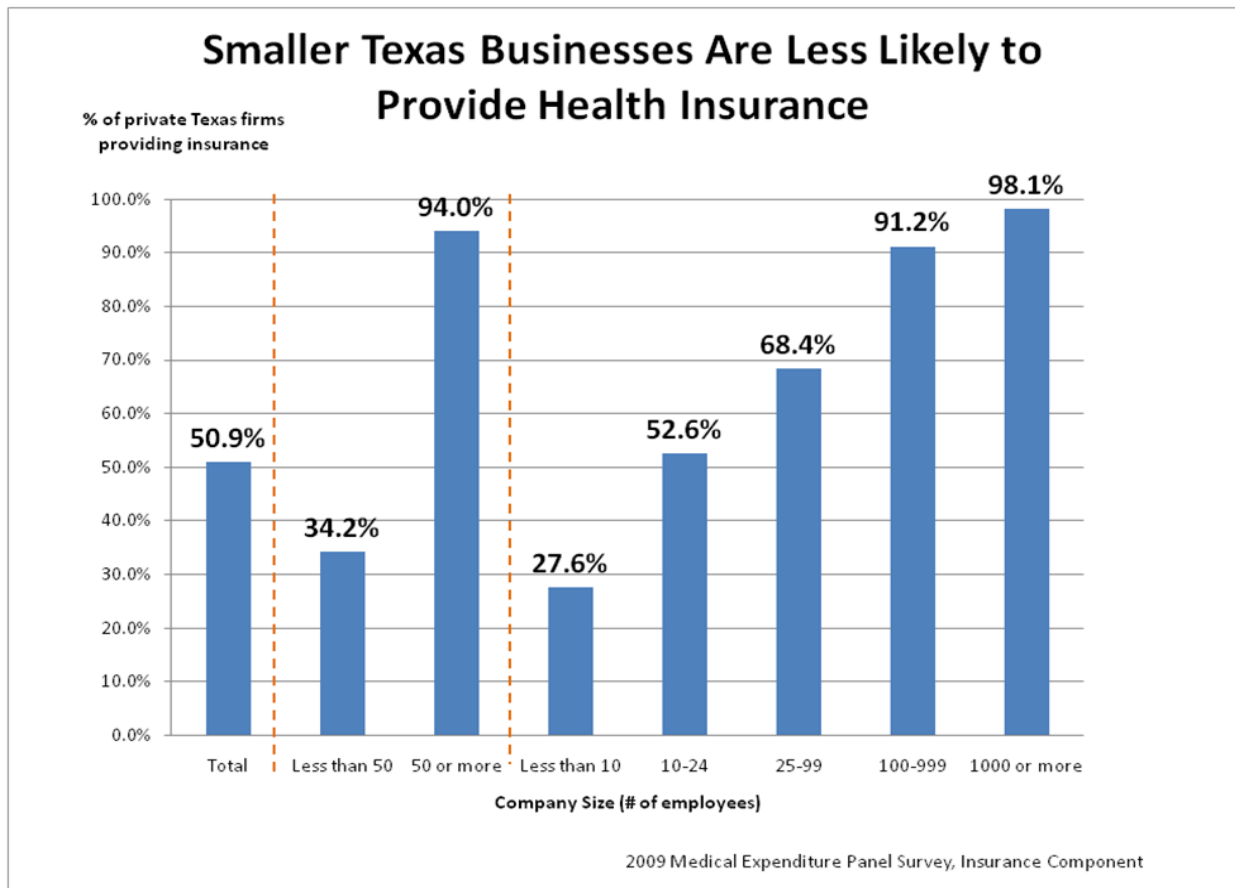


### INTERIM CHARGE 4 – HEALTHY TEXAS

We appreciate this opportunity to comment on the Committee on Insurance’s Interim Charge 4 related to implementation of the Healthy Texas program. As health insurance premium increases outpace small employers’ ability to afford coverage, many Texans are left without access to job-based coverage. Recognizing that new tools and strategies are needed to address health insurance issues for small employers, the 2009 Texas Legislature passed Senate Bill 78, creating the Healthy Texas program, based on a successful public reinsurance program in New York. The center supports the creation of this innovative program and has been an active participant in its implementation.

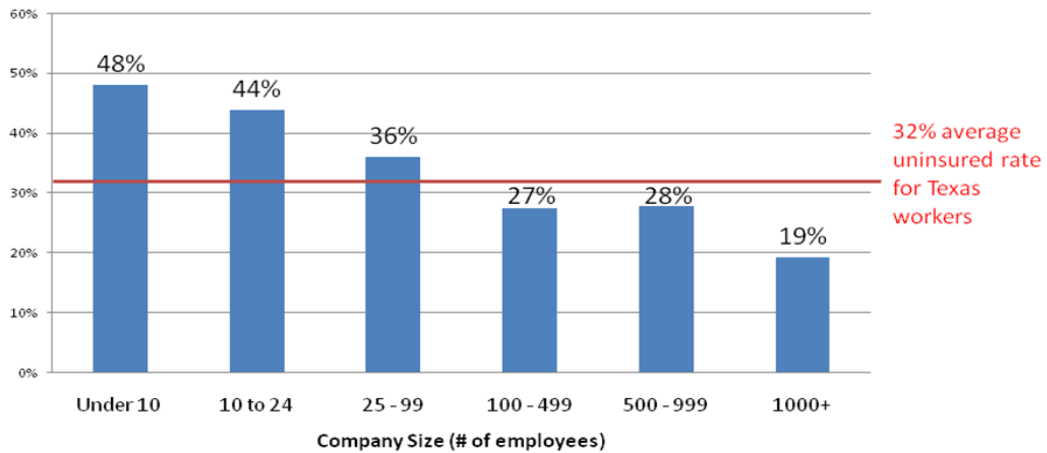
#### Healthy Texas Targets Assistance to Small Employers

Small businesses are much less likely to offer health insurance than larger businesses. Today only one-in-three small businesses with fewer than 50 employees, and only 28 percent of firms with fewer than 10 employees, offers coverage. This results in much higher uninsured rates among employees of small businesses than those of larger businesses.



## Small Business Employees Have Disproportionately High Uninsured Rates

Uninsured rate among workers, 2009

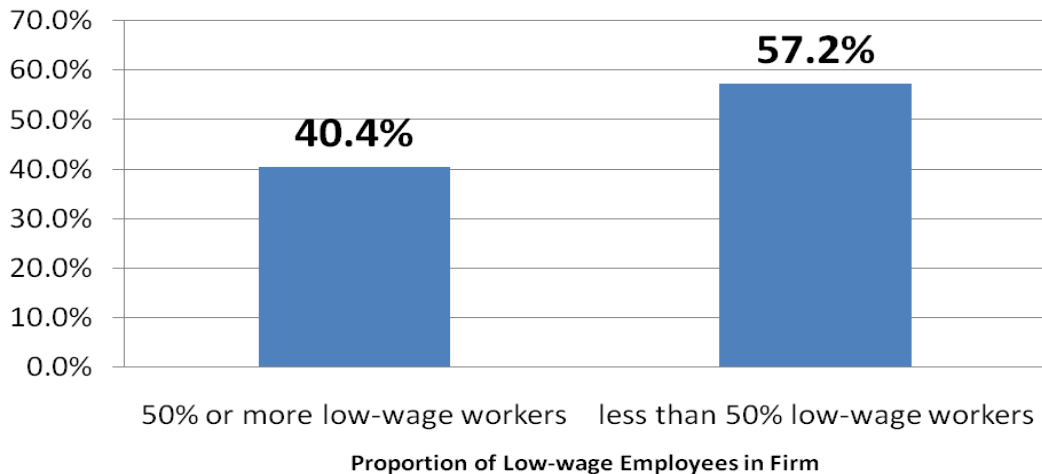


U.S. Census Bureau, 2010 Current Population Survey

Businesses with low-wage workers are also less likely to be able to provide coverage.

## Texas Businesses with a High Proportion of Low-wage Workers are Less Likely to Offer Insurance

% of Texas private firms that offer insurance by proportion of low-wage employees in firm



*A low-wage employee is one earning at or below the 25th percentile for all hourly wages in the United States based on data from the Bureau of Labor Statistics. In 2009, this was \$11 an hour or less.*

2009 Medical Expenditure Panel Survey, Insurance Component

Healthy Texas is designed to target assistance in an effective manner where it is most needed: to small employers, who do not currently offer coverage and have low-wage workers.

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## The Premium Stabilization Fund is Critical

Healthy Texas could put private, group health insurance coverage within reach of thousands of uninsured Texans working for small employers by addressing the primary barrier to coverage—the high cost of premiums—using an innovative public-private partnership. The General Revenue investment in the Premium Stabilization Fund is critical to the success of Healthy Texas. The Fund is used to pay for part of high-cost medical claims from enrollees. Participating insurers will face less risk from high-cost enrollees, allowing them to lower premiums. Initial estimates show premiums could be reduced by one-third.

The majority of small employers who do not offer coverage survey by TDI reported that they could only afford to pay \$100 or less per employee per month for coverage. To succeed in expanding coverage among small firms, Healthy Texas must offer lower-priced coverage. Lower premiums are made possible by the Premium Stabilization Fund.

Healthy Texas wisely and efficiently makes uses of limited public funds by:

- Targeting help where it is most needed: small employers who do not offer coverage and have lower-wage employees;
- Leveraging employer and employee contributions toward coverage; and
- Leveraging the state's investment to qualify for a \$25 million (\$5 million a year for five years) federal grant that covers program administration and assistance to low-income enrollees.

## National Health Reform Compliments, But Does Not Replace Healthy Texas

Like Healthy Texas, the recently enacted health reform law aims to increase access to coverage through small businesses by building on our current employer-based system. But the passage of health reform does not negate the need for Healthy Texas. While they both offer some help to small employers, they are not duplicative. Rather, they will complement each other and together, will help Texas more effectively address persistent issues with access to insurance that have plagued our small businesses and their employees.

**Healthy Texas will start covering uninsured Texans that work for small businesses this year.** Healthy Texas is enrolling small employers in Texas now. Other than the small employer tax credit, the provisions in the health reform law that will help expand access for small employers (new exchanges, modified community rating, no medical underwriting, limits on age rating) do not start until 2014.

**Healthy Texas addresses affordability in a different manner than health reform and will help make insurance affordable for some Texas small employers who are not able to take advantage of health reform tax credits and others who can only afford coverage by combining both sources of help.** Healthy Texas uses public reinsurance to reduce the premium up-front. Health reform has a tax credit for small businesses. Both mechanisms to help make coverage more affordable for small businesses are welcome, but they are not the same. Some Texas small businesses will benefit from Healthy Texas but not the health reform tax credits, and vice versa. Others will be eligible for both and can combine them.

### *Businesses that will benefit from Healthy Texas, but not tax credits*

Healthy Texas is available to businesses with 26-50 employees, and the tax credits are not. About 22,000 Texas small businesses fall into this category and 38 percent of them provide insurance today.<sup>1</sup> To take advantage of the tax credit, employers will have to pay full premium up front and realize the savings from the tax credit when they pay their taxes. Some

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<sup>1</sup> Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey – Insurance Component, 2009. Using Texas firms with 25-49 employees.

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employers will not be able to afford to “float” the full premium in anticipation of a tax credit, but may still be able to participate in Healthy Texas which reduces the premium up front.

*Businesses that will benefit from tax credits, but not Healthy Texas*

Small employers who are already providing coverage can take advantage of tax credits, if eligible, but are not eligible for Healthy Texas.

*Businesses that are eligible for both*

Employers eligible for both programs are those that face the most challenges providing coverage today: smaller employers (2-25 employees) who have low-wage employees. Many small employers that fall into this category may find that only by buying Healthy Texas coverage and claiming the tax credit are they able to actually afford coverage.

**Healthy Texas may provide more affordable coverage for low- and moderate-income enrollees.** Ensuring that small businesses can afford to offer health insurance is just the first step. To get uninsured employees in Texas small businesses covered, their premium contributions must be affordable. Healthy Texas does this in two ways. First, the savings from public reinsurance in Healthy Texas are used to reduce the total premium up front, so savings are shared between employees and the business owner who split the premium cost. The health reform tax credit, on the other hand, is paid only to the small business owner to cover part of the employer’s cost of coverage. In addition, Healthy Texas received federal State Health Access Program (SHAP) grant funding that will provide an additional subsidy for low-income enrollees. Eligible enrollees will be able to choose whether to apply their subsidy to reduce either their premiums or cost-sharing (deductibles, copayments, and coinsurance). The health reform tax credit does not provide this type of assistance, which could be essential in helping low-income enrollees participate.

In a state with 6.4 million uninsured residents, and 213,000 small businesses that do not offer health insurance, to expand coverage among employees of small businesses, we must implement *both* Healthy Texas and the federal health reform law as soon as possible and to the best of our abilities.

**Healthy Texas Implementation**

TDI has conducted an open and participatory process for implementing Healthy Texas. TDI solicited stakeholder input at several stakeholder meetings, a Request for Information, and a public rulemaking process. With two commercial insurers participating, 3-share coverage starting next, and small employers already enrolling, Healthy Texas is in a good position to begin expanding coverage among eligible small businesses and their employees.