



HB 2203: TDI SUNSET BILL

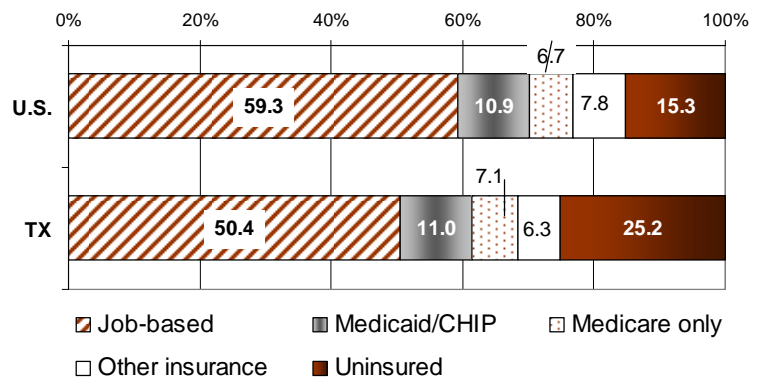
As the overseer of the insurance market in Texas, the Department of Insurance plays a critical role for the state and its citizens. With one in four Texans lacking health insurance coverage and the cost of coverage increasing ten times faster than incomes, the high cost of health insurance or lack of coverage is something that affects each of us and our communities. The Texas Department of Insurance (TDI) sunset process provides a much needed opportunity for the Legislature to examine TDI’s role and equip it with the tools needed to not only foster a competitive marketplace, but also to make affordable health insurance available to more Texans.

Texas’ commercial health insurance market is considered “healthy” because of the relatively large number of carriers writing coverage and the low level of regulation compared to other states. The effect of this market on Texas consumers, however, is anything but healthy. The private health insurance market in Texas produces:

- the third highest premium increases in the nation, with premium growing at ten times the rate of incomes;
- one of the lowest rates of coverage through employer-sponsored insurance in the nation (50%), with Texas nearly 10 percentage points behind the U.S. in percentage of citizens with employer-sponsored coverage;
- the highest uninsured rate in the nation, with 6 million uninsured Texans; and
- small employer premiums as high as \$29,000 a year per employee.¹

The notion that a hands-off approach to regulation promotes the best outcomes has not worked any better in the Texas health insurance market than it has in the mortgage or banking industries. Texas needs a truly healthy insurance market that is fair and accessible to consumers as well as insurance companies. As the agency that oversees this market, TDI must balance the needs of the insurance industry and consumers, but TDI is currently not positioned to respond well to consumers’ needs. TDI lacks the tools needed examine the cost of health insurance and the strategic direction to work on expanding access to coverage.

Insurance Status in 2007, U.S. and Texas (All Ages)



As introduced, the TDI sunset bill does nothing to address access to affordable health insurance. The Sunset Commission staff, whose work forms the basis of the bill, determined that the fundamental questions of TDI’s role in health insurance access and affordability were outside the scope of the staff review. These questions, however, are well within the purview of the

Legislature, which should take this opportunity to strengthen TDI. To that end, CPPP supports the following recommendations:

- **Strengthen TDI's mission and duties.** TDI should be charged with protecting consumers and fostering a healthy and competitive marketplace that provides consumers with access to high-quality insurance products at prices that are fair and reasonable.
- **Direct TDI to implement strategies that increase the availability and affordability of health insurance coverage.** TDI should be charged with developing strategies to expand coverage; providing targeted assistance to people and businesses seeking coverage; evaluating the Texas health insurance market and existing coverage initiatives; and identifying barriers to coverage. TDI should include in its biennial report to the Legislature options for expanding health insurance coverage.
- **Authorize TDI to ensure that rates charged to consumers are reasonable.** TDI has no authority to oversee health insurance costs, which prevents the agency and the public from knowing if health insurance rates and rate increases are justified. TDI lacks the authority to collect, much less review, rates for employer-sponsored insurance. Not only is this practice out of line with how Texas oversees many other types of insurance, it is out of line with how most states oversee health insurance. Most other states use oversight tools to make sure that health insurance rates in the small employer and/or individual markets are reasonable. Texas should too. Common tools used by other states are rate regulation (file-and-use or prior approval systems) and minimum medical loss ratios.
- **Prevent small employers from getting priced out of the market based on the age or health status of employees.** Texas uses “rate bands” to limit premium variability in the small employer market, but several rating factors are not limited by a band. That means there is no true statutory limit on how far premiums can vary from the lowest to highest priced groups. Employers with older or less healthy employees are assigned maximum rates many times higher than the average rate (some small employers in Texas pay up to \$29,000 a year per employee) or are priced out of the market. Other states limit variability more effectively with community rating or tighter rate bands. Texas should more effectively limit the overall premium variability in the small employer market.

¹ Texas Department of Insurance, Texas Group Accident and Health Insurance Survey, 2006