

Good Health Insurance Coverage Still Unaffordable, Still Inaccessible to Many

The cost of private insurance is rising at an annual rate of 15 percent. Individuals pay more out-of-pocket and get fewer benefits. One in five Texans lacks insurance, while the cost of public programs continues to rise. As our economy slows and health care costs increase, more people need help paying for medical services.

MORE “CHOICES” DON’T LEAD TO FEWER UNINSURED.

Medical Savings Accounts, Healthmarts, Association health plans, “consumer-driven” plans—all will be touted as the answer to our health insurance crisis. But these are likely to prove useless to consumers who need insurance to cover their real health care needs.

As the debate on what health insurers should be able to offer to Texans develops, we should keep in mind who the uninsured are and the kinds of health care services that contribute the most to rising costs.

The goal of most “consumer-driven” proposals is to help bring employers’ costs for insuring their employees down. But what these options really do is lower the cost by offering less coverage. Such plans may work just fine for some people—the healthy and those who are relatively comfortable financially. But these are not the people we really need to help because they can already find

In Short

More “choices” frequently means less coverage—paying less for less. While such plans may seem fine to the young and healthy, they undermine the fundamental concept of insurance—spreading risk. When the young and healthy buy full coverage along with older people,

affordable plans to fit their pockets. And, they eliminate the concept of spreading the risk between the healthy and sick, young and old.

While Texas workers pay premiums

consistent with the national average, they are paying a lot more for family coverage—almost 25% more. Texans working for small employers pay almost 50% more for family coverage than the average American.

In response to Texas Department of Insurance (TDI) surveys, 45% of small employers said they could pay \$50 or less per employee per month but 14% would be unable to offer insurance coverage at any price. Among individuals, 23% could pay less than \$50 per month and 35% could pay \$50-\$100 per month, but only 13% could afford more than \$150 per month for insurance.

In 1992, the Health Policy Task Force, made up of a diverse group of Texans, conducted an extensive study and recommended a universal, accountable and cost containing health plan as “the optimal long-term direction for the future of health care in Texas.” The work of this task force should not be lost, but should be reviewed, revised and revitalized.

WHO WILL HELP PEOPLE NAVIGATE THIS MAZE?

Figuring out if a health plan has adequate coverage for the cost is complicated. Individuals must consider and compare premium and out-of-pocket costs in relation to their income; whether the benefits, including exclusions and limitations, cover their health care needs; and what providers are available.

In Texas, there is no one they can turn to for clear unbiased information to help them compare plans and understand their rights. While TDI

WHO ARE THE UNINSURED TEXANS?

More than 4 million, 23% of Texans, went without coverage for an entire year.

27% of the uninsured have incomes below the federal poverty level (FPL) (\$15,000 for a family of 3).

59% of the uninsured have incomes less 200% of the FPL (\$30,000 for a family of 3).

69% of uninsured adults are employed; less than 8% of are unemployed.

58% of the uninsured are Hispanic; 11% are African American.

Only 11% of companies with mostly minimum wage workers offer health insurance; 66% with salaried workers offer insurance.

10% of people uninsured in the US reside in Texas.

provides general information about insurance and tips and responds to specific complaints, its job is not to advocate for the consumer. Further, there are many insurance arrangements over which TDI has no jurisdiction, such as the employer based ERISA plans, which cover 3.5 million Texans. The Office of Public Insurance Counsel has the responsibility to represent consumer interests but not to advocate for individuals.

In 2001, the Legislature passed a bill creating an insurance ombudsman to help consumers navigate the maze of insurance coverage; the Governor vetoed the bill. If the state won’t tightly regulate insurers, then it needs

Health Insurance is Everyone's Problem

to give consumers help. An insurance hotline was a popular idea raised in TDI focus groups of uninsured Texans.

THE SMALL EMPLOYER DILEMMA

Nearly half of uninsured workers are employed by a small business. Most small businesses do not offer health insurance even though significant reforms were enacted ten years ago.

These reforms gave small employers protections such as guaranteed issue, the opportunity to pool with other employers, and plans that bypass state mandated benefits. Yet, 80% of small employers surveyed by TDI in 2002 were unaware of the reform. Most small businesses don't have the time, expertise, or resources to carefully examine their options. They need help either through broad-based education or a statewide "small business human resources center" to help them make insurance decisions.

A statewide insurance pool could be such a resource center, where unbiased easy to understand materials and staff would help employers choose among a range of plans by more than one insurer. This was tried in Texas but with one major flaw. The 1993 law allowed insurers to sell to small companies outside of the pool, enabling them to cherry pick the healthy, younger, and not so small groups – offering them better rates than the pool. The pool became the only option for the smallest groups and those with older, less healthy employees. It quickly became a high-risk pool, which cost too much and was unable to attract insurers.

In addition, few insurers even offer coverage for the catastrophic and basic plans developed by TDI for small employers. Only three insurers were able to give TDI premium quotes, some agents indicated insurers discouraged selling these products, and insurers claimed small employers didn't want them. The little rate information TDI collected suggests that insurers do not price these plans more affordably, even though they cover fewer benefits. Similar results can be expected if mandated benefits are removed from all plans in the market. Eliminating mandated benefits is not the cure for our health insurance crisis as touted by many business and insurance groups.

Texas should require all health insurance for small groups to be sold through a statewide pool or perhaps five regional pools. The pool should offer a true array of plans from multiple insurers. Currently some associations tout independent credentials while actually "fronting" for a single insurance company. A true pool should be an independent source of information and products for small employers and not offer just a single insurer's product. The pool should be underwritten as a large group rather than as individual small groups.

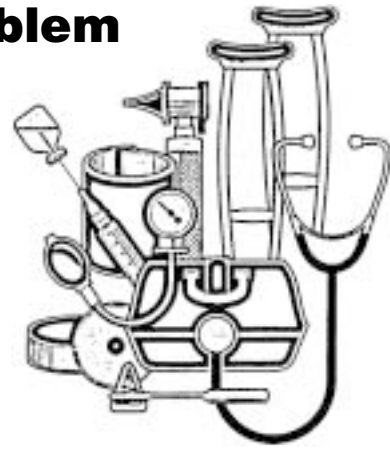
INDIVIDUALS FACE A VERY UNFRIENDLY INSURANCE MARKET

Individuals seeking coverage on their own are the most disadvantaged health insurance consumers. They have few protections regarding benefits, exclusions, and out-of-pocket costs. Pre-existing conditions are often excluded or an insurer's reason to refuse coverage. Average premiums can escalate significantly without much notice. Coverage for prescription drugs and mental health services can be hard to find. It is difficult for a single consumer to adequately compare plans, which may look different, but not be. They need help from an advocate or ombudsman and would benefit from joining a small group pool and standardized plans.

The Texas Health Insurance Risk Pool offers coverage for people who are refused insurance due to a medical condition. But the cost is double the average premium charged in the market, which is unaffordable for many.

GAINS IN COVERAGE FOR CHILDREN SHOULD NOT BE ERODED

Texas has made great strides in covering low-income children through Medicaid and CHIP and should maintain the programs' benefits and eligibility standards, including continuous coverage and a simple application process. About 2 million children are covered by these plans, significantly improving the health of future generations. Texas should continue these efforts until every child has access to health coverage. These programs are more cost-effective than any others in



the health care arena because state spending is generously matched by federal dollars.

Since 1991, four million Texans have been uninsured each year and nothing we have tried so far has diminished that number. *Health Affairs* reported, "neither regulation, voluntary action by the health care industry, nor managed care and market competition have had a lasting impact on our nation's health care costs."

SOLUTIONS

Clearly, our health care financing and delivery system needs a major overhaul. Short of that, efforts should focus on moving toward a system of sharing the risk among the healthy and the sick and away from proposals that carve up the market based on health status and income.

- Create a task force to pick up where the 1992 Health Policy Task Force left off to develop proposals that will lead to coverage for all Texans, regardless of their age, income or health status.
- Maintain current health benefits and eligibility standards for children covered by Medicaid and CHIP programs.
- Create one statewide small group purchasing pool that requires underwriting as a group and that will assist small businesses in finding adequate and affordable coverage.
- Create standardized health plans for the individual insurance market with rate bands that will protect against drastic premium increases.
- Create a state ombudsman to assist consumers with health insurance problems and questions and to provide information and referral to existing resources.