

For Texans, Health Reform Must Include Insurance Reform

Most Texans and most Americans are covered by private health insurance. Health reform must set firm, new guidelines on how insurance companies treat policyholders. Reform must end the common insurance company practice of cherry-picking healthy people and making it difficult for others to get or keep affordable coverage. **As long as any Texan can be denied coverage or charged 5 to 7 times what another Texan pays for the exact same coverage, most Texans will not feel that Congress has enacted meaningful reform.**

You Can't Be Denied Coverage

Reform must make full coverage available to everyone who wants it and insurance companies must be prohibited from rejecting people or scaling back coverage for any reason.

Today in Texas, small employers (those with 2 to 50 employees) are the only group that cannot be turned down for coverage. In the individual market, insurance companies turn applicants down or offer them less coverage based on their medical history, body mass index, credit history, past criminal convictions, hobbies, and type of job.

No More Pre-existing Condition Exclusions

Reform must stop insurance companies from excluding treatment for pre-existing conditions. We need good coverage when we are healthy and when we get sick.

Today in Texas, in the individual market, insurers can exclude coverage for pre-existing conditions for up to two years. In the group market, coverage for pre-existing conditions can be excluded for up to a year.

Premiums Must Be Reasonable

Reform must prohibit insurance companies from pricing some people out of the market. The common practice of setting health insurance rates based on a person's health status, medical history, gender, type of job, etc. must end. **The factors insurance companies can use to set premiums must be limited to a person's age and geographic region, and premium variation allowed due to these factors must be limited as follows:**

- Insurance companies cannot charge one person more than twice the premiums charged to another based on age, and
- Premium differences due to where people live must be based on large, multi-county geographic regions and actual differences in medical costs across those regions.

Health Insurance Regulation

States have the primary responsibility for health insurance regulation within some federal guidelines. Regulation varies depending on whether the policy is purchased by an individual or employer and by the size of the employer.

Individual Market – The individual market consists of policies sold directly to individuals or families. In Texas, this market includes sole proprietors, who cannot buy group coverage even though they own a business.

Group Market – The group market primarily consists of health insurance offered through employers. This market is further divided into the *large group market* (for businesses with more than 50 employees) and *small employer market* (for businesses with 2 to 50 employees). The large group and small employer markets are regulated differently in recognition of the additional challenges faced by small employers in obtaining insurance.

In the Texas small employer market today, insurance companies cannot deny coverage to small businesses, but they can legally set premiums so high that they price many people out of the market. Insurance companies in Texas today base small employer premiums on the health status, gender, and age of employees as well as type of work done, location of business, and number of employees. As a result, **Texas Department of Insurance (TDI) data show that insurers may legally charge premiums as high as \$62,000 *per person* per year to a small employer group.** In practice, the TDI data show real-world maximum annual per-person premiums as high as \$29,000 charged to small Texas employers in 2006.

Current protections are even worse in the Texas individual market, where insurance companies base premiums on factors like gender, health status, medical history, credit history, past criminal convictions, and hobbies. Texas has no laws that limit the amount premiums can vary from one person to the next for the same policy in the individual market.

Texas Will Benefit Greatly from Health Insurance Reforms

Texas Has Low Coverage Rates and High Premiums

Coverage/Cost Measures	U.S. Average	Texas	Texas' rank out of 50 states & D.C. (51 st = worst)
High Percentage of Population Uninsured, 2007 ¹	15.3%	24.9%	51 st
Low Percentage of Population Covered by Employer-Sponsored Insurance, 2006-07 ¹	59.5%	51.3%	49 th
Low Percentage of Small Employers that Offer Coverage, 2006 ²	42.6%	32.2%	44 th
Low Percentage of Large Employers that Offer Coverage, 2006 ²	95.6%	88.9%	51 st
Average Premium for Family Coverage through Employer-sponsored Insurance, 2006 ²	\$11,381	\$11,690	38 th
Increase in Annual Family Health Insurance Premiums Due to "Cost-shift" of Health Care for the Uninsured, 2005 ³	\$922	\$1,551	46 th

Sources:

1. U.S. Census Bureau, 2007 and 2008 Current Population Surveys.
2. Agency for Healthcare Research and Quality, 2006 Medical Expenditure Panel Survey-Insurance Component.
3. Families USA, *Paying a Premium, The Added Cost of Care for the Uninsured*, June 2005.

Texas' Tax Rating Laws Allow Insurers to Charge Some Small Employers Several Times What They Charge Others, Pricing Many Out of the Market

Average and Maximum Annual Per-person Premiums Paid by Texas Small Employers, 2006

Insurance Company	Average Premium	Maximum Premium	Magnitude of Difference
Aetna Life Insurance Company	\$2,677	\$62,209*	23.2
Humana Insurance Company	\$2,955	\$26,895	9.1
Union Security Insurance Company (Fortis Benefits)	\$3,908	\$28,837	7.4
John Alden Life Insurance Company	\$3,521	\$25,498	7.2
Unicare Life & Health Insurance Company	\$3,073	\$19,055	6.2
Blue Cross and Blue Shield of Texas	\$3,834	\$20,610	5.4
Principal Life Insurance Company	\$3,992	\$20,164	5.1
Time Insurance Company (Fortis)	\$4,035	\$19,753	4.9
Golden Rule Insurance Company	\$2,843	\$13,428	4.7
Pacific Life & Annuity Company	\$2,461	\$9,049	3.7
Genworth Life and Health (GE Group Life Assurance)	\$12,341	\$22,526	1.8
Metropolitan Life Insurance Company	\$576	\$935	1.6
MARKET AVERAGE	\$3,851	\$22,413	5.8

Source: Texas Department of Insurance, Annual Group Accident and Health Survey, 2006

Notes: Data included for companies that reported both annual average and maximum per-person premiums in 2006. Data shown is as reported by insurers to the Texas Department of Insurance (TDI). TDI does not audit these data. Data include information on policies sold to Texas small employers (firms with 2-50 employees).

* Data as reported by Aetna Life Insurance Company. Aetna confirmed to TDI that this could be a potential maximum rate quote to a Texas small business (i.e. if a small group had very high risks associated with all six allowable rating factors, the per-person premium in Texas could actually come out to \$62,000 a year); however, this rate is not necessarily an actual rate being charged in the market, which is what the survey asks for.