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A More Affordable Option for Texans with Pre-Existing Conditions in 2014

The Texas Health Insurance Pool (THIP) insures more than 23,000 Texans with pre-existing health conditions. Beginning in 2014, THIP enrollees will be able to buy coverage in the Affordable Care Act's Health Insurance Exchange and will no longer be denied insurance or charged more based on their health status. To obtain a snapshot of cost differences between THIP and the exchange, this policy brief compares premiums, deductibles, and out-of-pocket maximum costs for an average THIP enrollee at various income levels and finds that the exchange will provide many current THIP enrollees with significantly more affordable insurance options. In fact, lower-income Texans will likely save thousands of dollars annually. This brief outlines the steps needed to transition enrollees from THIP to the Health Insurance Exchange in 2014.

Role of the Texas Health Insurance Pool

The Texas Legislature created the Texas Health Insurance Pool – also known as the “risk pool” –to provide health insurance for Texans unable to get private coverage due to pre-existing health conditions. The pool began offering coverage in 1998 and as of November 2012 was serving 23,417 Texans.¹

State law sets THIP premiums at **twice** the average private market rate charged to a healthy individual for the same coverage. The risk pool provides coverage for thousands of Texas who would otherwise be uninsured, but the high cost of THIP premiums makes it unaffordable for many others, particularly those with low and moderate incomes. In 2012, the average monthly THIP premium was \$712.² Based on rating factors such as age, gender, geographic area, deductible selected (ranging from \$1,000 to \$7,500), and smoking status, monthly THIP premiums currently range from \$152 to \$2,157.³

In 2011, THIP began offering premium reductions of 50 percent for enrollees with household incomes below 200 percent of the federal poverty level (FPL, about \$38,000 for a family of three) and 30 percent for enrollees with household incomes between 200 and 300 percent FPL (about \$38,000-\$57,000 for a family of three).⁴ As of May 2012, about 3,500 THIP policyholders were receiving premium subsidies.⁵

Better Coverage Options for THIP Enrollees in 2014

The Affordable Care Act (ACA) will offer THIP enrollees new health coverage options. Beginning in 2014, plans sold in Health Insurance Exchanges – new online-based marketplaces formed to create a more organized and competitive market for buying health insurance – will no longer deny applicants or charge them more based on their health status. The exchanges, whether administered at the federal or state level, will also offer sliding-scale premium subsidies and reductions in cost sharing for households up to 400 percent FPL (about \$76,000 for a family of three).

Comparing Consumer Costs in THIP and in the Exchange

To determine the expected price differences between THIP’s coverage options and those available in 2014 in the exchange, we compared the costs of premiums, deductibles, and out-of-pocket maximums between THIP’s most popular plan, a \$5,000 deductible plan, and a “Silver” tier plan, 70 percent actuarial value insurance plan purchased in a Health Insurance Exchange for an average THIP enrollee—a 51-year old, non-smoking woman.⁶ Specific results of the comparison are found in the tables below:

Table 1: Lower Annual Premiums Projected At Low- and Middle-Income Levels

Individual's Income ^b	Texas Health Insurance Pool ^{a,c}	Health Insurance Exchange ^d	Health Exchange Savings
99% FPL (\$11,390)	\$3,834	\$0 (Medicaid)	\$3,834
199% FPL (\$22,896)	\$3,834	\$1,432	\$2,402
299% FPL (\$34,401)	\$5,368	\$3,258	\$2,110
≥ 401% FPL (\$46,136)	\$7,668	\$8,687	(\$1,019)

Table 2: Lower Deductibles Projected At All Income Levels

Individual's Income ^b	Texas Health Insurance Pool ^{a,c}	Health Insurance Exchange ^e	Health Exchange Savings
99% FPL (\$11,390)	\$5,000	Nominal ^f	~\$5,000
199% FPL (\$22,896)	\$5,000	\$150 - \$1,050	\$3,950 - \$4,850
299% FPL (\$34,401)	\$5,000	\$2,050 - \$3,200	\$1,800 - \$2,950
≥ 401% FPL (\$46,136)	\$5,000	\$1,850 - \$4,200	\$800 - \$3,150

Table 3: Lower In-Network Out-Of-Pocket Maximums Projected At All Income Levels

Individual's Income ^b	Texas Health Insurance Pool ^{a,c}	Health Insurance Exchange ^e	Health Exchange Savings
99% FPL (\$11,390)	\$8,000	\$570 ^g	\$7,430
199% FPL (\$22,896)	\$8,000	\$2,100	\$5,900
299% FPL (\$34,401)	\$8,000	\$3,200	\$4,800
≥ 401% FPL (\$46,136)	\$8,000	\$6,350	\$1,650

According to the estimates of three different actuarial and benefits consulting firms contracted by the Kaiser Family Foundation, deductibles and out-of-pocket maximums will be moderately to significantly lower at all income levels in the exchange compared to THIP's most popular plan. Premiums in the exchange will also be substantially lower for low- and middle-income consumers. Only THIP enrollees earning more than four times the Federal Poverty Level—about \$46,000 a year for an individual—would encounter higher premiums in the exchange than in THIP, paying about \$1,000 more annually. However, these higher exchange premiums would buy notably better coverage: THIP enrollees at higher income levels would see deductibles between \$800 and \$3,150 less than in today's pool coverage, and out-of-pocket maximums \$1,650 lower in the exchange. In addition, coverage in the exchange will include benefits that the risk pool does not, such as maternity coverage.

Savings are even greater at lower income levels. For example, at twice the Federal Poverty Level—about \$23,000 a year for an individual—a typical enrollee who maintained coverage through THIP in 2014 would pay \$2,400 more in premiums, have a deductible \$4,000 to \$5,000 higher, and face an out-of-pocket maximum \$5,900 more than they would were they to receive coverage through the exchange. At this income level, remaining in THIP would mean more than a quarter of the enrollee's total annual earnings could go toward higher health insurance cost sharing.

Facilitating the Transition to Health Insurance Exchanges

Legislation may be filed in 2013 to wind down Texas Health Insurance Pool operations over a period of time. Legislation will determine how long the pool will continue to sell coverage to current enrollees—some of whom may prefer the pool over the exchange and others who are not aware that they have new options for coverage in the exchange. Legislation may also address what happens to the funding currently allocated for pool subsidies, which is diverted from some of the “prompt pay” penalties insurers pay to hospitals and doctors when they do not pay providers according to statutory timetables.

But legislation is not necessary for the pool to educate its 23,000 current enrollees about their new options for obtaining insurance and to work to minimize any disruption that policyholders who choose to transition to the exchange may face. It is particularly important that THIP actively reach out to its 3,500 low-income enrollees who have discounted coverage to ensure they understand and can take advantage of the significantly more affordable options in the exchange as soon as they become available. As an organization that has extended health insurance to more than 90,000 Texans since 1998, including helping thousands of low-income Texans enroll in subsidized pool coverage since 2011, this outreach would be fully in line with THIP's mission.

Table notes

^a Typical risk pool enrollee defined as a single, non-smoking 51-year old woman in the second highest-cost insurance area (Area 5 out of six total cost adjustment areas); compared against Health Insurance Exchange premiums in "high" geographic cost adjustment area for a "Silver" tier, 70% actuarial value plan.

^b Federal Poverty Level income figures projected to 2014 dollars.

^c Texas Health Insurance Pool, "Health Plan Benefits as of 01/01/2012." Online at <http://www.txhealthpool.org/benefits.html>. Premium rates at <http://www.txhealthpool.org/Regular%20Rate%20Tables%20080112.pdf>. Premium rates effective as of 8/1/2012.

^d Kaiser Family Foundation, "Health Reform Subsidy Calculator." Online at <http://healthreform.kff.org/subsidycalculator.aspx>. Rates projected to 2014 dollars.

^e Non-Medicaid Health Insurance Exchange estimates from Kaiser Family Foundation, "What the Actuarial Values in the Affordable Care Act Mean," online at <http://www.kff.org/healthreform/upload/8177.pdf>. Rates projected to 2014 dollars.

^f Federal rules limit total Medicaid cost sharing to 5% of monthly family income. Fiscal Year 2012 nominal cost sharing defined as a deductible of \$2.55 and copayment of up to \$3.80 depending on cost of service. For FY 2012 figures, see Centers for Medicare & Medicaid Services, CMCS Informational Bulletin: "Medicaid Cost Sharing - FY 2012 Update to Nominal Cost Sharing," online at <http://downloads.cms.gov/cmsgov/archived-downloads/CMCSBulletins/downloads/CIB-9-30-2011.pdf>. For background on Medicaid cost sharing, see Center for Children and Families (Georgetown University Health Policy Institute), "Cost Sharing for Children and Families in Medicaid and CHIP," online at http://ccf.georgetown.edu/wp-content/uploads/2012/03/Cost_sharing.pdf.

Endnotes

¹ Texas Health Insurance Pool, online at <http://www.txhealthpool.org/>.

² Texas Health Insurance Pool, Board of Directors meeting minutes, p. 2, May 24, 2012. Available online at <http://www.txhealthpool.org/05-24-2012%20BOD%20Minutes%20Approved%2009-28-12.pdf>

³ THIP premium rates effective 8/1/12, available online at <http://www.txhealthpool.org/Regular%20Rate%20Tables%20080112.pdf>.

⁴ Background information on THIP and the premium reduction program available in the CPPP Policy Page, "Something Old Something New: Texas' Two High-Risk Pools", July 19, 2010, online at http://library.cppp.org/files/3/10_07_highriskpools.pdf. Also see the THIP website, <http://www.txhealthpool.org/index.html>.

⁵ Texas Health Insurance Pool, Board of Directors meeting minutes, p. 4.

⁶ Profile based on 2011 demographics of risk pool members (53% female, average age 51) and the most popular plan option (\$5,000 deductible). See <http://www.txhealthpool.org/2011%20Final%20%20Annual%20%20Report.pdf>

For More Information

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