EVERY TEXAN

Formerly Center for Public Policy Priorities

To: House Committee on Insurance

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Re: **Comments in opposition to HB 1369.** Do not create a new type of unregulated "coverage" that lacks protections for preexisting conditions and creates consumer confusion.

Summary:

Every Texan (formerly Center for Public Policy Priorities) respectfully submits these comments in opposition to HB 1369. The bill builds on Texas' current "safe harbor" for health care sharing ministries by creating a parallel track for sharing entities that can be for-profit and lack a common religious belief at their core. These arrangements would not be subject to protections for people with preexisting conditions and would multiply the consumer complaints and harm stemming from currently-authorized but unregulated health care sharing ministries in Texas. HB 1369 does not contain any of the consumer protections found in HB 573, and thus would do nothing to address growing consumer confusion about and well-documented harm from health care sharing products.

Today, Texas allows health care sharing ministries to operate on the honor system, without any oversight. That approach is no longer working in an industry with growing revenue, membership, and complaints. Legislators should focus on protecting consumers in the *existing* health care sharing ministry industry, which is drawing more scrutiny for consumer confusion and harm, and reject efforts to further expand unregulated sharing entities.

Background:

When David Martinez of Dallas switched jobs and needed to look for affordable health insurance, a broker steered him to a purported "health care sharing ministry". According to the Houston Chronicle, "[i]t sure sounded like insurance to Martinez. Or close enough." He paid thousands of dollars to the organization, but when his wife underwent a surgery pre-approved by the organization, it didn't pay. The couple have been left with $129,000 in unpaid medical bills in collections.

In recent years, several types of health coverage arrangements that are not subject to key state or federal consumer protections have proliferated and are often marketed as alternatives to traditional health insurance. One type of these arrangements is a health care sharing ministry. While health care sharing ministries (HCSMs) are careful to say that they aren't health insurance, many sure look like it. Unlike insurance, health care sharing entities offer no guarantee that medical bills will be paid, even for supposedly "covered" services. People may believe that they are enrolled in health insurance, only to find that the product they have purchased provides little if any coverage for their needs.

HB 1369 builds on Texas' statutory "safe harbor" for health care sharing ministries by creating a parallel track for sharing entities that can be for-profit and lack a common religious belief at their core. This would create new type of unregulated "coverage" that lacks protections for preexisting conditions. The bill fails to address any of the misleading and harmful practices already documented in health care sharing ministries, which gave rise to HB 573. House bill 1369 will multiply the consumer confusion about and well-documented harm from health care sharing products.

HCSMs are faith-based membership organizations that pool or direct monthly member contributions to help pay for members' medical bills. They originated more than a century ago among the Amish and Mennonites. Other religious groups adopted health care sharing in the 1990s, but enrollment remained small and confined to members of the same religious beliefs.

In the last decade, revenues and membership have swelled—and consumer complaints are up. Some HCSM products and practices have transformed in ways that blur the line between health insurance and HCSMs and cause consumer confusion:

- **Broker-drive sales**. Some HCSMs are spending heavily on ads and paying commissions to health insurance agents or brokers, which is conduct that other HCSMs disavow. An alarming recent GAO report found that 1-in-4 secret shopper calls it made to brokers selling alternative benefit plans, including health care sharing ministries, resulted in deceptive sales information troubling enough to warrant referral to the Federal Trade Commission for investigation. There are significant financial incentives for brokers to steer consumer to HCSMs. HCSMs that choose to use brokers pay substantially higher commission rates (15-20%) compared to traditional insurance sold to individuals (less than 3%).

- **Plans mimic health insurance**. Many ministries have transformed to give the appearance of traditional health insurance. Some mimic the Bronze/Silver/Gold metallic value tiers of coverage found on HealthCare.gov. Many have features that are equivalent to premiums, deductibles, coinsurance, and copayments – they are just called by different terms. Some even advertise access to national PPO networks.

- **Secular approach**. Some HCSMs no longer limit membership to people of a shared religion and are even marketing to small employers as job-based coverage.

HSCMs are unregulated products. They are subject to neither state or federal oversight, nor to key consumer protections, like strong preexisting condition protections. HCSMs often exclude or limit coverage of treatment for preexisting conditions. Mental health services, prescription drugs, preventive care, and maternity care are often excluded or limited.

Along with other alternative coverages that have lower monthly payments, limited benefits, and discriminate against people with preexisting conditions, health care sharing entities may contribute to destabilizing the individual market. When alternative plans siphon healthier individuals out of the traditional insurance pool, it drives up premiums for individuals who want or need comprehensive coverage or who would be denied by alternative plans.

The filed version of House Bill 573 by Representative Oliverson better protects consumers in response to the transformation in the HCSM market. House Bill 1369 does not contain any of the consumer protections in HB 573, including:

- Ensuring that the Texas Department of Insurance will check upfront that health care sharing entities selling in the state adhere to state standards, including data collection and improved transparency for members/shoppers; and
- Ending some misleading marketing and prohibits financial incentives for sales, which will help reduce consumer confusion and complaints.

Every Texan's testimony to the House Insurance Committee on HB 573 is here.

Today, Texas allows HCSMs to operate on the honor system, without any oversight. That approach is no longer working in an industry with growing revenue, membership, and complaints. Legislators should focus on protecting consumers in the existing health care sharing ministry industry, which is drawing more scrutiny for consumer confusion and harm, and reject efforts to further expand unregulated sharing entities.