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# The ACA Health Insurance Marketplace in Texas Is Thriving

**If Texas wants to run it, it should be as one part of a comprehensive approach to covering the uninsured alongside Medicaid expansion**

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The Affordable Care Act (ACA) gave states the tools to expand quality health coverage in two primary ways: 1) through sliding-scale subsidies for ACA-compliant health plans offered through the Health Insurance Marketplace (also called the Exchange) and 2) making adults with wages near or below the poverty line eligible for Medicaid (Medicaid expansion). Texas, like most states, opts not to operate its own Marketplace, and instead utilizes the federal Marketplace, HealthCare.Gov. There is no parallel federal fall back for Medicaid expansion; states must adopt it.

Texas could meaningfully reduce its worst-in-the-nation uninsured rate by maximizing Affordable Care Act coverage tools: by expanding Medicaid for low-wage adults, integrating the eligibility systems for Medicaid and the Marketplace, and making robust investments in marketing, outreach, and community-based application assistance.

The Marketplace in Texas is performing very well. A record 2.4 million Texans signed up for health insurance through HealthCare.Gov for 2023. Texas has seen the highest rate of enrollment growth in the nation three years running, and more insurers compete in the Texas Marketplace than in any other state.

Texas should tread cautiously if considering establishing its own state Marketplace, because any transition will disrupt a system that works well today. Some states transitioning to state Marketplaces have faced major technology failures, a poor consumer experience, unplanned costs to the state, and coverage losses. Building and operating a state Marketplace remains an enormous undertaking, even with improvements over the years in vendor services and technology. The Marketplace is far more than a website. It is more like a state agency.

## Recommendation:

**Any consideration of a state Marketplace should follow a thorough study and be part of a comprehensive state approach of maximizing Affordable Care Act tools to cover the uninsured with a focus on covering low-income Texans and Texans of color who disproportionately lack coverage.** The approach should:

- set specific targets for increased enrollment across the Marketplace, Medicaid, and CHIP;

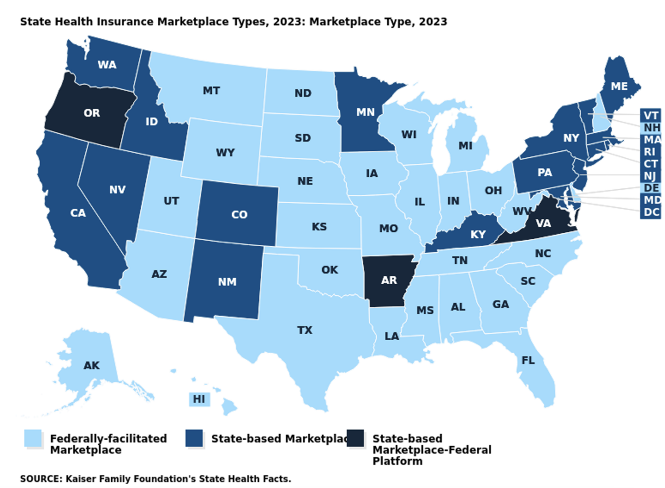
- include accepting federal Medicaid funding to cover low-wage adults in the Medicaid coverage gap, who do not qualify for Marketplace coverage;
- integrate Medicaid and Marketplace eligibility systems, so people don't fall through the cracks when moving between programs; and
- make robust investments in marketing, outreach, and community-based enrollment assistance.

## Marketplace functions and coverage

The federal Marketplace successfully performs many complex functions today, including conducting eligibility determinations, administering ACA subsidies, running an enrollment call center, and certifying health plans as ACA-compliant. Texas struggled in 2022 with both Medicaid call center performance and processing Medicaid and SNAP eligibility determinations timely.

If Texas operates the Marketplace, the Texas Department of Insurance would need authority to enforce ACA market reforms. Texas is [one of just four states] that still refuses to enforce ACA market rules. State Marketplaces cannot circumvent the ACA; they must fully comply with it.

Today, 18 states run Marketplaces, and three take a hybrid approach. **All of these states have already expanded Medicaid.**




More than 9 in 10 Texans with Marketplace coverage get financial assistance (subsidies) that lowers their monthly premium. The Marketplace is a crucial source of coverage for small businesses employees, small business owners, and self-employed individuals, who account for an estimated [half] of all Marketplace enrollment.

## Financial risks with a state Marketplace

The federal Marketplace is funded by a user fee collected from insurers equal to 2.75% of premiums in 2023. If a state charges the same percentage fee, but can run the Marketplace for less, it can capture the savings as revenue. Savings are not guaranteed, and future savings will be reduced by a cut to the federal user fee proposed for 2024. States are on the hook for unfunded program updates when federal Marketplace laws and regulations change, and new federal oversight is rolling out that will also put states on the hook for subsidy miscalculations in the future.

If a primary goal of transitioning to a state Marketplace is to capture savings, critical functions are at risk of being underfunded, including call center operations, grants for community-based enrollment assistance, and integration with the Medicaid eligibility system. Texas does not need to transition to a state Marketplace to generate revenue from the sale of health insurance; Texas already has a premium tax.

## New Mexico provides a cautionary tale

Building and operating a Marketplace is not easy. HealthCare.Gov and a few state Marketplaces initially failed when they rolled out in 2014. Systems have improved over time, but even recent state Marketplace transitions have been bumpy. New Mexico's state Marketplace rollout was plagued with issues: people could not get through to the call center; consumers paid premiums but did not get coverage; and data migration issues interfered with both customer accounts and payments to agents.

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