



Testimony to the House Select Committee on Health Care Reform on HB 700

Stacey Pogue, senior policy analyst, Every Texan

March 30, 2023

HB 700 would disrupt a system that is working well

Every Texan opposes House Bill 700 by Oliverson as filed. The bill would disrupt a system that is working well today that helps 2.4 million Texans enroll in affordable, comprehensive health insurance through HealthCare.Gov.

HB 700 will create a Texas-run Health Insurance Marketplace to replace HealthCare.Gov, the federal Marketplace Texas has used for the last decade with great success. The Marketplace, also called an Exchange, was created by the Affordable Care Act to help consumers understand, compare, and enroll in comprehensive health insurance options made affordable through sliding-scale subsidies. Though states can choose to run their own Marketplace, Texas, like most states, has opted to use HealthCare.Gov.

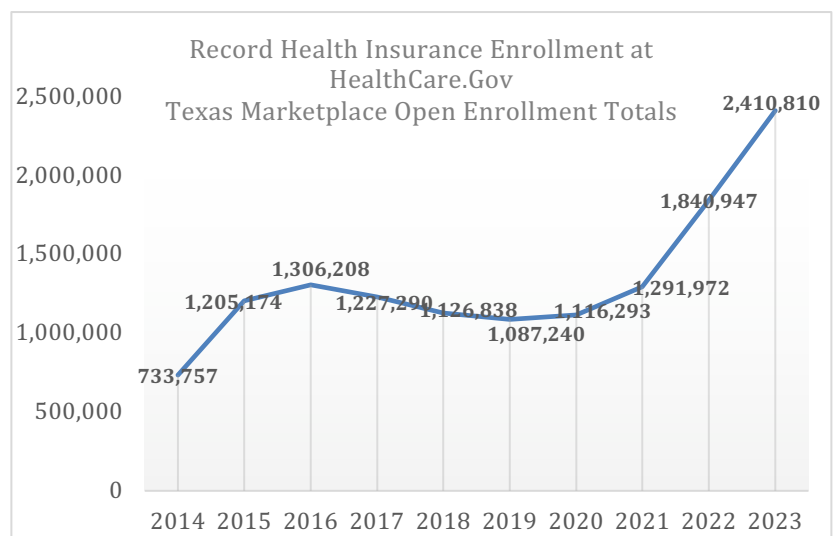
The Texas Marketplace at HealthCare.Gov is booming. It has more insurers competing to sell coverage than in any other state. It has record enrollment, covering 2.4 million Texans with quality, affordable insurance. It has achieved the highest rate of enrollment growth among states for three years running. Coverage today is both comprehensive and affordable; 59% of Texans who signed up for 2023 coverage pay \$10 or less per month.

Transitioning to a state Marketplaces involves financial and operational risks. Some states that have implemented a state Marketplace 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 touted by vendors in their services and technology over the years, and requires an ongoing commitment to running a public coverage program well.

The central question

Instead of asking *whether* Texas should run the Marketplace, we need to ask what outcomes Texas would aim to achieve by replacing the well-functioning federal Marketplace. HB 700 as filed lacks coverage goals or directed outcomes.

If Texas pursues a state-run Marketplace, we should commit to keeping what is working well for 2.4 million Texans and build on it, so



Texas can further reduce our worst-in-the-nation uninsured rate by connecting more Texans to affordable, comprehensive qualified health plans, and the bill must include sufficient statutory direction and guardrails so Texas can achieve that vision.

The Marketplace is a critical source of coverage for small business employees

Today, 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.¹ This should come as no surprise, given that only 25% of Texas small businesses with fewer than 50 employees offer health insurance. Financial help in the Marketplace is generally available to people with incomes above the poverty line who either aren't offered health coverage at work or cannot afford their employer's coverage.

Texas programs to help small businesses afford health insurance over the last 15 years have been helpful, but quite small in scale, especially compared to the small business employees helped by the Marketplace. The "three-share" program currently coverage about 1,400 people and Healthy Texas, a small business state-funded reinsurance program covered about 15,000 people at its peak.

Lower wage workers are generally far better off with Marketplace coverage, due to federal subsidies, than job-based coverage. Texas must ensure that any state Marketplace not only keeps what is working well today for so many small business employees, it must ensure that any well-intentioned effort to encourage small employer coverage does not make low-wage working Texans worse off.

Costs and 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 could divert user fees away from Marketplace operations to other places. Future user fee revenue will be reduced by a cut to the federal user fee proposed for 2024.

There is no guarantee that a state can find "savings" here (or really, new state revenue from the Marketplace). The extent of user fees that can be diverted away from operations cannot be known until Texas has a detail budget projection for what it would cost to run a Marketplace with robust services, both start-up costs and ongoing operational costs. Note that 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.

If a primary goal of transitioning to a state Marketplace is to divert user fee revenue for other purposes, critical functions are at risk of being underfunded, including call center operations, grants for community-based enrollment assistance, and integration with the Medicaid eligibility

¹ Commonwealth Fund, The Affordable Care Act's Impact on Small Business, Oct 2018, https://www.commonwealthfund.org/sites/default/files/2018-10/Chase_ACA_impact_small_business_ib.pdf

system. Texas must ensure that any state Marketplace has strong statutory direction and guardrails to ensure the Marketplace makes robust investments in all critical functions

States that run their Marketplaces are on the hook for unfunded program updates when federal Marketplace laws and regulations change, which happens regularly. A new system of federal oversight is rolling out that will also put states on the hook for subsidy miscalculations in the future.

A state Marketplace requires a sustained commitment to running a public coverage program well

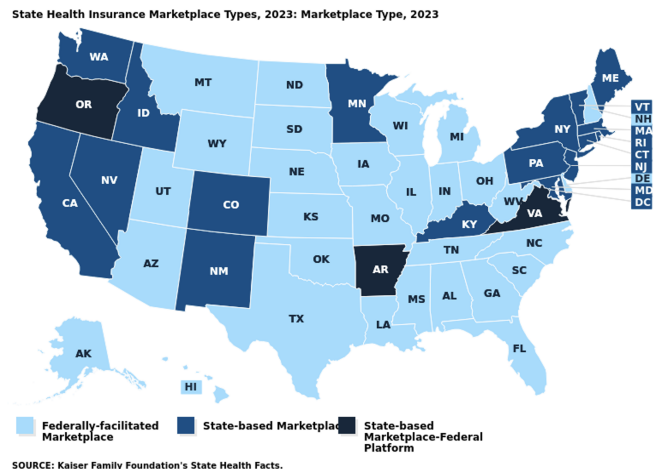
The Marketplace is far more than a website. It is more like a state agency that runs a crucial, means-tested coverage program. The federal Marketplace successfully performs many complex functions today, including conducting eligibility determinations, administering ACA subsidies, running an enrollment call center, and certifying health plans as ACA-compliant. Texas struggled through 2022 and into 2023 with Medicaid call center performance and processing Medicaid and SNAP eligibility determinations timely.

Maximizing Affordable Care Act Coverage Tools

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 and 2) making adults with wages near or below the poverty line eligible for Medicaid (Medicaid expansion). There is a federal fallback for the Marketplace: HealthCare.Gov. There is no parallel federal fall back for Medicaid expansion; states must adopt it.

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

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.



Recommendations:

If Texas is ready to leverage ACA tools to extend quality, affordable health coverage to its residents, it should do it the right way:

- First, study approaches for a Marketplace, state subsidy, and/or 1332 waiver to identify ones that maximize quality coverage and minimize risks. This process must include actuarial analysis, TDI and HHSC participation, and stakeholder involvement. Upfront planning should identify and address the significant administrative, technical, financial, and health system challenges such an undertaking will entail.
- Start from a clearly articulated state goal to keep what is working well for 2.4 million Texans and build on it, so Texas can further reduce our worst-in-the-nation uninsured rate by connecting more Texans to affordable, comprehensive qualified health plans, and include needed statutory guardrails to achieve that vision, and
- Commit to making the Marketplace one 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, including Medicaid expansion.