SUBJECT: Health Insurance Risk Pool premium discounts and insurer tax credits

COMMITTEE: Insurance — committee substitute recommended

VOTE: 9 ayes — Smithee, Martinez Fischer, Deshotel, Eiland, Hancock, Hunter, Isett, Taylor, Thompson

0 nays

WITNESSES: For — Tracy Brinton, Kim Suiter, National Multiple Sclerosis Society; Stacey Pogue, Center for Public Policy Priorities; Cherilyn Pollard, American Cancer Society; Mary Scott, AARP Texas; (*Registered, but did not testify*: Michelle Apodaca, Texas Hospital Association; Tom Banning, Texas Academy of Family Physicians; Melissa Cubria, Texas Public Interest Research Group; Gully Elola; Shelton Green, Christian Life Commission; Harry Holmes, Harris County Healthcare Alliance; David Marwitz, Texas Dermatological Society; Bee Moorhead, Texas Impact; Joel Romo, American Heart Association)

Against — None

On — Jay Thompson, Texas Association of Life and Health Insurers; Jared Wolfe, Texas Association of Health Plans; (*Registered, but did not testify*: Steve Browning, Texas Health Insurance Risk Pool; Douglas Danzeiser, Texas Department of Insurance)

BACKGROUND: The Texas Health Insurance Risk Pool (THIRP) was created as a safety net for the medically uninsurable, who are unable to get health coverage through commercial insurers but able to afford the risk pool's premiums. Insurance Code, sec. 1506.105(e) requires that premiums collected by the pool must cover fully the cost of providing coverage to THIRP participants, with the exception that pool premium rates cannot exceed twice the average individual-plan premium, or standard risk rate, charged by Texas insurers to someone of the same age, sex, and geographic location. The average monthly premium for a risk-pool enrollee in 2007 was $540.

An assessment is charged on Texas health benefit plan issuers to cover the net loss between the cost of coverage of THIRP participants and the

amount of premiums collected from these participants. An insurer's share of the assessment is proportionate to its share of the gross premiums collected by all health benefit plan issuers.

Health insurers annually must pay a premium tax equal to 1.75 percent of the insurer's taxable gross premiums received during a calendar year.

DIGEST:

CSHB 2064 would provide sliding scale premium discounts for participants in the Texas Health Insurance Risk Pool under the following income criteria:

- those whose household income was below 200 percent of the federal poverty level would pay the standard risk rate; and
- those whose household income was at or below 300 percent, but not less than 200 percent, of the federal poverty level would pay 140 percent of the standard risk rate.

The bill would limit the total premium discount to $20 million for the two-year period from January 1, 2010, to December 31, 2011, and for each two-year period that followed.

Insurers would receive a tax credit against their premium tax equal to their proportionate share of the gross premiums collected by all health benefit plan issuers. The credit could be applied in the calendar year after the assessment to the risk pool was paid, and unused credit could be applied in the five years following that calendar year.

Unused tax credit could be claimed as an asset, and in restricted circumstances, available credit could be transferred or assigned to other health benefit plan issuers.

CSHB 2064 would take effect September 1, 2009. The bill would apply the premium discount only to premium rates for THIRP coverage in effect on or after January 1, 2010. Health benefit plan issuers could apply the tax credit on the first premium tax payment due on or after January 1, 2012.

SUPPORTERS SAY:

CSHB 2064 would provide to lower-income people with chronic health conditions an affordable health coverage option if they do not have access to employer-sponsored coverage. Although Texas is one among more than 30 states that has a high-risk pool, only three states, Texas included,

charge premiums as high as twice the cost of the average premium in the individual market.

CSHB 2064 would cut in half the high-risk pool premiums charged to people with incomes under 200 percent of the federal poverty level and would reduce by 30 percent the premiums charged to individuals with incomes of 200 to 300 percent of the federal poverty level. These income eligibility levels and related premium discounts would provide the appropriate level of assistance for the population that is most in need. The premium discounts would not crowd out private health insurance coverage, because people with chronic health conditions seeking THIRP coverage either must demonstrate that they were denied coverage by a private insurer or have one of 52 qualifying health conditions.

Such savings could prevent financially distressed individuals from having to drop coverage altogether or going into serious medical debt to maintain coverage. Steady coverage also could better maintain a person's health so that those with progressive conditions would have a higher quality of life and not require as costly care in the short-term.

While some say that Texas should not commit to any revenue decrease at this time of financial strain, the $20 million provided by the state for the tax credits could not be claimed until after this biennium. Also, any funding from the state to keep high-risk people covered would provide not only a health benefit but would keep low-income, uninsured individuals from seeking much more costly care in emergency rooms. Ultimately, insurance consumers and taxpayers foot the bill for uncompensated care provided to the uninsured in emergency rooms.

The premium tax credit would be the most appropriate funding source for the premium discount, because helping low-income, high-risk individuals stay insured would benefit the entire state. By providing the premium tax credit, CSHB 2064 essentially would spread the cost of the premium discounts statewide, as the decrease in premium tax revenue would be absorbed in the state budget.

OPPONENTS SAY:

The lengths to which the state should go to insure certain high-risk populations are questionable, especially if coverage of these populations could jeopardize the ability of other health consumers to purchase coverage. Although the THIRP premium discounts would be capped, the likelihood is that these discounts could prompt more people to join

THIRP. As the enrolled population increased, the pool's operational deficit would increase as well. Private-market insurers inevitably would pass on the assessment to their insurance consumers, some of whom may already be struggling to afford insurance of their own.

In addition, the existing higher risk-pool premium and lack of subsidies prevent crowd-out from other coverage. Participants under the current risk pool structure still generally receive a substantial discount over what coverage would have cost them in the private market.

CSHB 2064 would present another long-term cost to the state, because it would sap $20 million in state revenue every two years. This would be a significant loss of revenue that is not justifiable during a time in which there is no way to determine when the economy will stabilize.

OTHER OPPONENTS SAY:

While CSHB 2064's goals are admirable, the Legislature should not fund changes to THIRP by reducing state revenue with a premium tax credit. It would be better to fund premium subsidies from a different source entirely. Prompt-pay penalties, which insurers must pay to health providers when they do not pay on time, could be revised so that the provider is adequately but not excessively paid for slow payment. This cost difference could be used to fund THIRP premium discounts.

NOTES:

The fiscal note projects no impact to general revenue funds or general revenue-dedicated funds in fiscal 2010-11. The bill's five-year impact would include costs of $15 million to the General Revenue Fund and $5 million to the Foundation School Fund in fiscal 2012 and fiscal 2014 from the credit against insurers' premium tax liability.

HB 2064 as filed would have limited the aggregate premium discount to $20 million only for the two-year period beginning January 1, 2010, and ending December 31, 2011, rather than for this two-year period and each two-year period that follows.

The companion bill, SB 879 by Averitt, was considered in a public hearing and left pending in the Senate State Affairs Committee on March 19.