

TEXAS<sup>20</sup><sub>36</sub>



# Health Coverage Policy Explorer

Nearly 5 million Texans lack health insurance.  
It doesn't have to be this way.

Explore 500+ Texas Health Coverage Policy Combination Scenarios  
at [www.texas2036.org/health-coverage-explorer](http://www.texas2036.org/health-coverage-explorer)

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Texas 2036 is a non-profit organization building long-term, data-driven strategies to secure Texas' continued prosperity for years to come. We engage Texans and their leaders in an honest conversation about our future, focusing on the big challenges. We offer non-partisan ideas and modern solutions that are grounded in research and data to break through the gridlock on issues that matter most to all Texans. Smart strategies and systematic changes are critical to prepare Texas for the future.

# TEXAS 2036

No matter our politics, increasing access to affordable health care should be a goal that all Texans share. Health insurance contributes to this goal, as Texans are more likely to access the health care they need when they have insurance.

While increasing coverage is only one of the policy solutions that could help increase access to affordable health care in Texas, it is critical because nearly 5 million Texans do not have health insurance today.

Texas 2036's Health Coverage Policy Explorer is a new online tool that allows Texans to explore the costs and benefits of more than 500 different possible policy combination scenarios available to Texas legislators during the 87th Legislative Session to address the high uninsured rate in Texas.

More than  
**500**  
different policy  
combination  
scenarios are  
available to  
assist the nearly  
**5M** Texans  
currently uninsured

## Our Experts

To develop the Health Coverage Policy Explorer, Texas 2036 assembled a team of experts on Texas policy, Texas Medicaid and the Affordable Care Act. Texas 2036's **Charles Miller** has led the project due to his extensive experience on budget and health care policy as a former Budget & Policy Advisor for Governor Greg Abbott. **Shannon Ghangurde** served as committee director for both the Senate Finance and Senate Health and Human Services committees. On the Medicaid side, **Lisa Carruth** and **Stephanie Muth** have extensive experience with the Texas Medicaid program, as a Chief Financial Officer and State Medicaid Director respectively. On the Affordable Care Act side, **Greg Fann** and **Daniel Cruz** are actuaries whose insights and explanations of the confusing market dynamics of the ACA are nationally respected. **Cheryl Gardner** is a former state exchange director and recently worked with the state of Georgia to develop their 1332 Waiver. Texas 2036's **Holly Heard** applied decades of data and analytic experience at Rice University and the Houston Education Research Consortium.

## Key Highlights

- 1. The cost of health coverage in Texas is higher than the national average and has risen more than 4% per year between 2010 and 2019.**

Texas sets Medicaid eligibility requirements at a maximum annual income of 14% of FPL, which is \$3,500 for a family of four. Regardless of their income, able-bodied childless adults are not eligible for Medicaid in Texas.

- 2. Providing affordable health insurance options to more Texans will increase Texans' ability to get health care when they need it, reduce the likelihood that Texas families postpone or skip critical care, and reduce the threat of significant medical debt and bankruptcy.**

- 3. To optimize coverage and cost, the Health Coverage Policy Explorer demonstrates that Texas elected officials need to access the Enhanced 90% Federal Matching Funds.**

In order to do this, Texas must include policy options that increase Medicaid eligibility to those at or below 138% of the federal poverty level. By accessing the Enhanced Federal Matching Funds, Texas can make dramatic increases to coverage at virtually no cost to the state.

- 4. Reform of Texas' Affordable Care Act Marketplace would expand coverage, lower premiums, and bring additional federal dollars to Texas.**

However, reinsurance pools, a frequently discussed reform of the ACA Marketplace, offer surprisingly little value to Texas taxpayers.

- 5. For a Texas plan to significantly and cost-effectively increase the number of insured Texans, Texas lawmakers must adopt a full range of policies, given our high uninsured rate.**

For instance, increasing eligibility to 138% of the federal poverty level and reforming Texas' ACA Marketplace will allow Texas to provide health insurance coverage to 1 million more Texans for under \$2 per person per year because the federal government will send an additional \$5.3 billion of our federal taxes back to Texas each year.

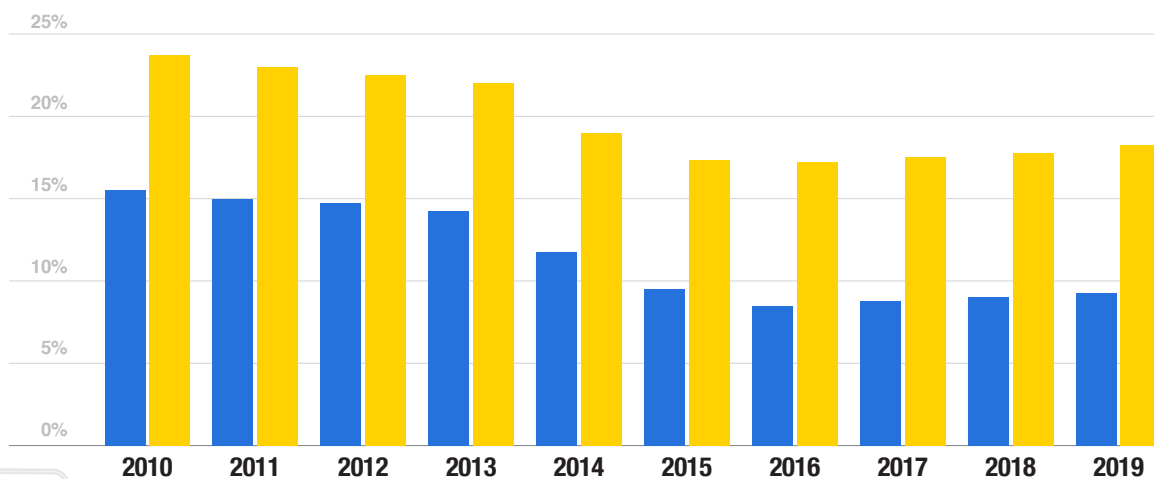
## Why does the number of uninsured Texans matter?

**Health care in Texas is broken. For many, insurance is unaffordable — to the point of being unobtainable. For others, even those with insurance, the costs of premiums and care are unsustainable.** Average annual premiums to cover a family on employer plans (the most common way insured Texans are covered) are over \$20,000 — that's one-third of the average Texas household's total annual income. For other Texans, the price of care and availability of insurance coverage aren't the only barriers; rather, a lack of hospitals, doctors, and access to care prevents many Texans from receiving the care they need when they need it. The size and scope of these problems can be overwhelming, and each problem needs to be addressed. But one problem, in particular, stands out when comparing Texas to the nation's 49 other states: Texas has the largest uninsured population — by far — and the highest uninsured rate.

### Uninsured Rate in Texas and the United States

*Texas has a higher uninsured rate than the nationwide average*

U.S. ■ Texas ■



Source: U.S. Census Bureau American Community Survey, 2019.

Five million Texans lack insurance — nearly one in five Texans — which limits their ability to access affordable preventative care and often forces costs to be absorbed by the public via safety net programs. For many of these Texans, policy choices made at the state and federal levels have left them with no realistic path to coverage. Consider the following hypothetical examples of full-time workers in essential jobs:



**A 24-year-old grocery clerk in Houston with one child making \$16,000 a year — slightly above minimum wage for a full-time job**

*On the individual market, insurance would cost \$3,671 per year for an Affordable Care Act Silver Plan, or 23% of annual income. And out-of-pocket costs could total \$8,550 before insurance helped pay any bills.*

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**A 42-year-old housekeeper in San Antonio with two children making \$20,000 a year — about \$10 an hour for a full-time job**

*On the individual market, insurance would cost \$4,909 per year for an Affordable Care Act Silver Plan, or 20% of annual income. Out-of-pocket costs could total \$8,550 before insurance helped pay any bills.*

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**A married 50-year-old couple in Dallas with three children, who were laid off and are now stringing together gig labor as delivery drivers making \$30,000 a year combined**

*On the individual market, insurance would cost \$13,987 per year for an Affordable Care Act Silver Plan for them both, or 47% of annual income. Out-of-pocket costs could total \$17,100 before insurance helped pay any bills. Combined, that's more than their annual income.*

Because of policy choices made by the Texas government, individuals like these have no path to affordable insurance: they would not have access to either Medicaid or individual market subsidies. For these Texans — several of the hundreds of thousands falling into this “coverage gap” — our state policy choices have eliminated their realistic choices. However, our state government has the power to give Texans more choices. While these Texans are most in need of help, all Texans could benefit from more affordable coverage options.

**3 of 4  
uninsured  
Texans  
skip care  
because of costs**

Developing affordable health insurance solutions for the growing number of uninsured is critical so that families and individuals can:

- Access the medical care they need and not skip or postpone medical treatment because of costs. Three out of every four Texans without health insurance report skipping care because of costs, according to Episcopal Health Foundation research.
- Reduce the threat of significant medical debt from accessing emergency care. According to a 2018 survey published by the Financial Industry Regulatory Authority, Texas has 6.2 million adults with unpaid medical bills, or 29.0% of the population.



## How do Texas voters view health care and coverage?

### What health care concerns do Texas voters have and what health coverage policies do they support?

In early January 2021, Texas 2036 conducted a statewide poll of Texas voters to assess attitudes about the future of Texas across a range of issues, including health.

The poll revealed that far more Texas voters than a year ago are concerned about the future, and public confidence in state government has declined considerably. Four-in-five say the legislature needs to take action this year to address the challenges Texas now faces.

The poll also shows that after nearly a year of the COVID-19 pandemic, far fewer Texans rate the state's ability to solve problems as "good" or "excellent."

Regarding health care costs and availability, key highlights include:

- 71% of Texas voters are "extremely concerned" or "very concerned" about the future of Texas because health care costs are rising for individuals and families in Texas, while health outcomes are among the worst in the nation.
- 91% of Texas voters support modernizing and increasing health care options in rural areas where there is a shortage of doctors, hospitals and clinics.
- 90% of voters think they should be informed about how much a medical service will cost before they receive health care services or treatment.
- 34% — including 57% of women with children — said they or someone in their household had postponed or skipped medical treatment or surgery out of fear about what the final medical costs would be. 90% of Texans believe patients should be informed about medical costs before treatment.

The poll also revealed widespread support for legislation and policy changes that leverage federal funding to reduce costs and make available health insurance to uninsured Texans:

- 88% of Texas voters are concerned about the future of Texas when they hear that nearly five million Texans have no health insurance.



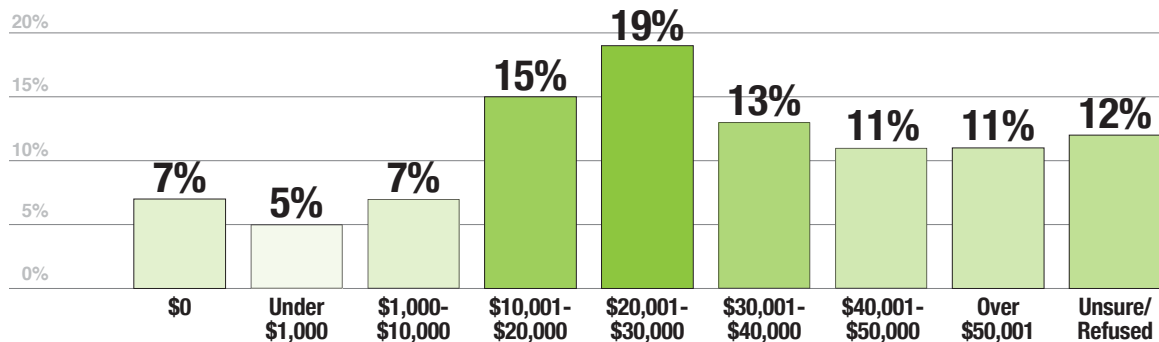
- 86% support changes that ensure more of the Medicaid tax dollars that Texas sends to the federal government are actually spent in Texas.
- Nearly three-fourths support cost-effective Medicaid changes through which the state could draw down \$4 billion in federal tax dollars and cover another 1 million people through an investment of just \$1 per person per year (see the table on page 18 for exact per person costs).

**If Texas, under an opt-in national program such as Medicaid, could provide health insurance coverage to a million more low-income Texans for just \$1 per person per year because the state will receive \$4 billion more per from the federal government, then the state should participate in such a program.**

Base		Total Agree	Total Disagree	Depends/Unsure	Net Agree
1021	<b>TOTAL</b>	<b>73%</b>	<b>19%</b>	<b>8%</b>	<b>54%</b>
<b>PARTISAN VOTE</b>					
431	Republican	58%	31%	11%	27%
215	Independent	71%	19%	10%	52%
375	Democrat	92%	4%	3%	88%
<b>RACE</b>					
315	Anglo Republican	58%	30%	12%	27%
121	Anglo Independent	71%	22%	7%	49%
142	Anglo Democrat	93%	4%	4%	89%
210	Non-Anglo Repub-IND	64%	25%	11%	38%
233	Non-Anglo Democrat	92%	5%	3%	87%

- 64% of voters support Texas making Medicaid or free government health insurance available to adults with no children who earn \$17,609 [which is equivalent to 138% of the Federal Poverty Level, the eligibility threshold set by the federal government for Texas to receive billions of dollars in enhanced federal funding; today, able-bodied childless adults are ineligible for Medicaid in Texas]

Medicaid provides government health insurance to Americans with limited financial resources, but states differ on income eligibility requirements. What is the most income a single adult with no children should be able to earn per year, and be eligible for Medicaid or free government health insurance?



The key takeaways from these responses are:

- 64% of Texas voters think the income eligibility standard for Medicaid should be at 138% or higher of the Federal Poverty Level
- 75% of Texas voters think eligibility thresholds for Medicaid should be higher than they are now.

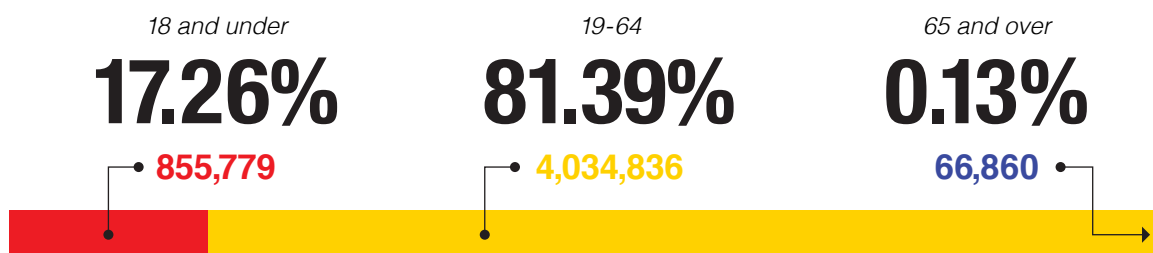
The poll was conducted on January 12–18, 2021 for Texas 2036 by Baseline & Associates, Inc., a prestigious Texas polling firm. It surveyed 1,021 Texas voters via cell phones, land lines and the internet. The margin of error for the results is +/- 3.1% at the .95 confidence level.

For more information, visit [www.texas2036.org/poll](http://www.texas2036.org/poll).

## Who are among the almost 5 million Texans who are uninsured?

More than 80% of uninsured Texans are working-age adults. Over 850,000 — 17% — are children. Many uninsured are middle class: nearly half (45%) of uninsured Texans could be considered moderate-to-middle-income, earning at least twice the Federal Poverty Level; for a family of four, that would be more than \$50,000 per year.

### 2018 Uninsured Population in Texas by Age

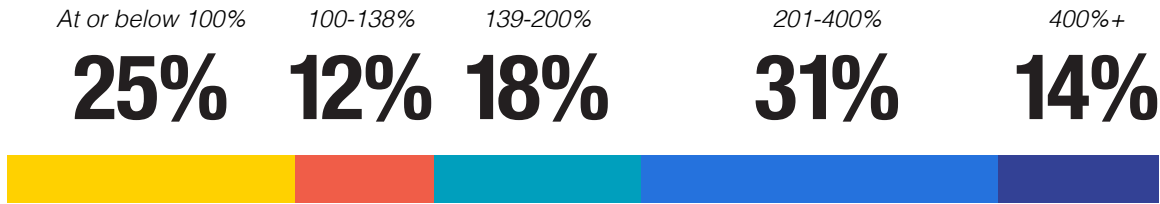


*Note:* The federal poverty level for a family of four in 2018 is \$25,100.  
*Source:* U.S. Department of Health and Human Services, ASPE 2018 Poverty Guidelines.

The Explorer focuses on policy options available to Texas legislators that increase the number of non-elderly adult Texans with insurance for several reasons:

1. Non-elderly adults comprise the overwhelming majority of the uninsured population;
2. There is a substantial gap in existing good health coverage options for the non-elderly adult population;
3. The second largest group of uninsured Texans — children — already have options available to them, such as CHIP; and
4. Studies show that children with parents who are insured are more likely to be insured themselves. Solving for adults will have positive spillover impacts on Texas' uninsured child population.

### 2018 Uninsured Population in Texas by Income Level



Source: Demography/GIS Team. Center for Analytics and Decision Support. Texas Health and Human Services Commission.

### Federal Poverty Level Percentages by Household Size, 2018

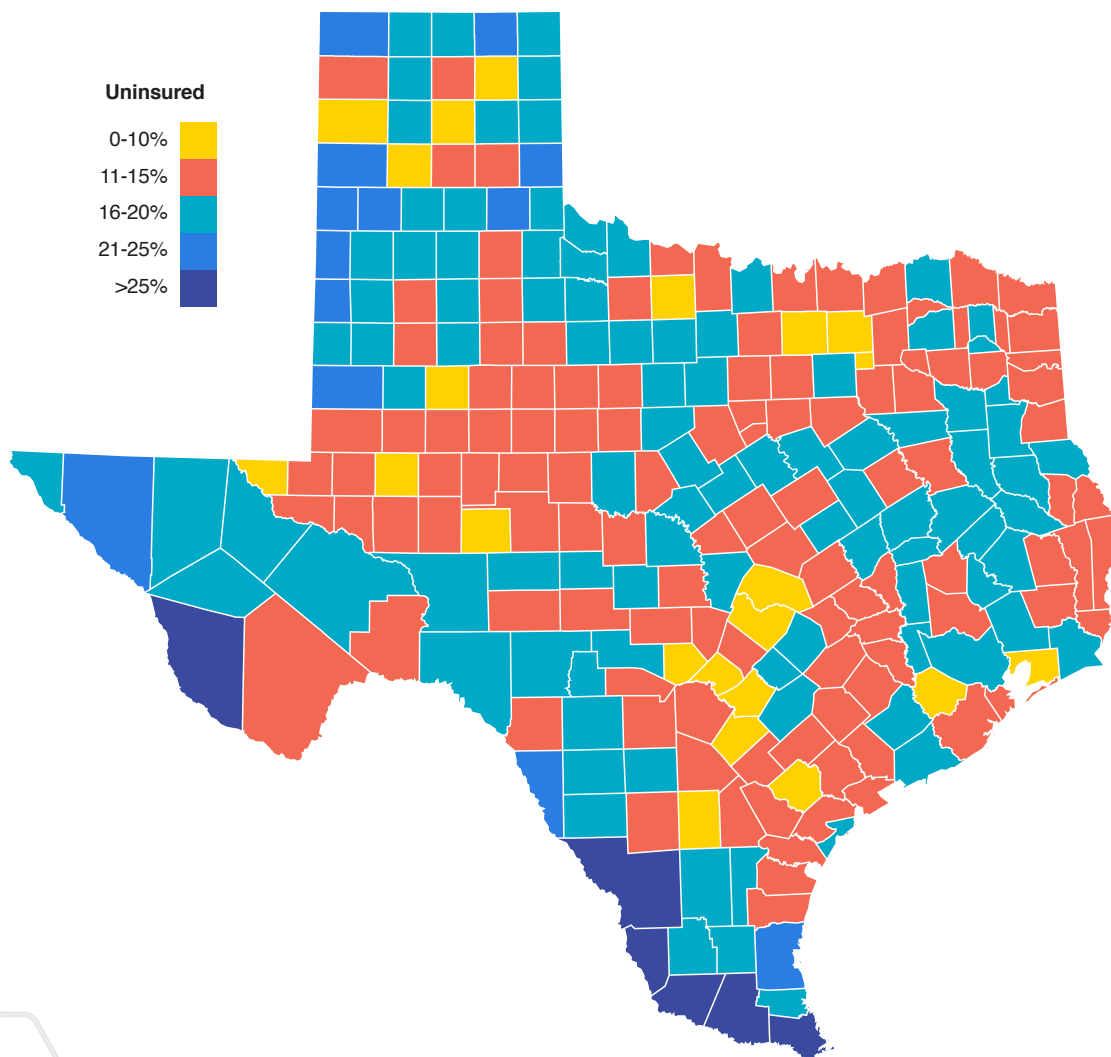
Persons in Household	100% FPL	138% FPL	250% FPL	400% FPL
1	\$12,140	\$16,753	\$30,350	\$48,560
2	\$16,460	\$22,715	\$41,150	\$65,840
3	\$20,780	\$28,675	\$51,950	\$83,120
4	\$25,100	\$34,638	\$62,750	\$100,400
5	\$29,420	\$40,600	\$73,550	\$117,680
6	\$33,740	\$46,561	\$84,350	\$134,960
7	\$38,060	\$52,523	\$95,150	\$152,240
8	\$42,380	\$58,484	\$105,950	\$169,520
9+	For more than 8, add \$4,320 for each person.			

Source: U.S. Department of Health and Human Services, ASPE Poverty Guidelines.  
<https://aspe.hhs.gov/2018-poverty-guidelines>

In 2018, the percentage of uninsured in Texas was 18%, which was the highest in the country and much higher than the closest states, Georgia (14%) and Oklahoma (14%). That said, Texas' uninsured rate varies throughout the state.

### 2018 Uninsured Adults in Texas

*The percentage of adults in Texas ages 18-64 who are uninsured*



*Data:* 2018 Small Area Health Insurance Estimates (SAHIE) using the American Community Survey (ACS).  
*Source:* The United States Census Bureau.

## What health coverage policy options are available to Texas legislators today?

In the 87th Legislative Session, Texas legislators have a multitude of policy combination scenarios for helping to connect more Texans with health insurance. Texas 2036’s Health Coverage Policy Explorer analyzes more than 500 discrete scenarios, categorizing policy options by the two primary federal funding sources available today:

1. Options related to expanding or improving the Texas Medicaid program
2. Options related to private insurance plans on the Individual Marketplace under the Affordable Care Act

The Health Coverage Policy Explorer allows all Texans to explore alternatives from each of these sets and combine different options to find ways of maximizing federal funding streams and covering more Texans.

HEALTH COVERAGE POLICY OPTIONS				
Combine options from different sets, or only explore one	SET			
	1	<b>MEDICAID EXPANSION</b>	<input type="checkbox"/> Full Expansion to 138% of FPL <input type="checkbox"/> Partial Expansion to 100% of FPL (Federal 1115 Waiver) <input type="checkbox"/> Targeted Population Expansion (Federal 1115 Waiver)	<i>*Choose no more than one option from Sets 1 and 2</i>
	2	<b>MEDICAID PROGRAM IMPROVEMENTS</b>	<input type="checkbox"/> Indiana Plan (Federal 1115 Waiver): Coming Soon	
	3	<b>ACA MARKETPLACE – STATE IMPROVEMENTS</b>	<input type="checkbox"/> Focused Rate Review <input type="checkbox"/> State-Based Exchange	<i>**No choice restrictions from Set 3</i>
4	<b>ACA MARKETPLACE – FEDERAL 1332 WAIVERS</b>	<input type="checkbox"/> Reinsurance Pool: Condition-Based <input type="checkbox"/> Reinsurance Pool: Claims-Based <input type="checkbox"/> Subsidy Optimization	<i>***Choose no more than one from Set 4</i>	

Note: FPL stands for federal poverty level, used to determine Medicaid and ACA Subsidy eligibility.

## 1. Medicaid Policy Options — Expansion and Improvements

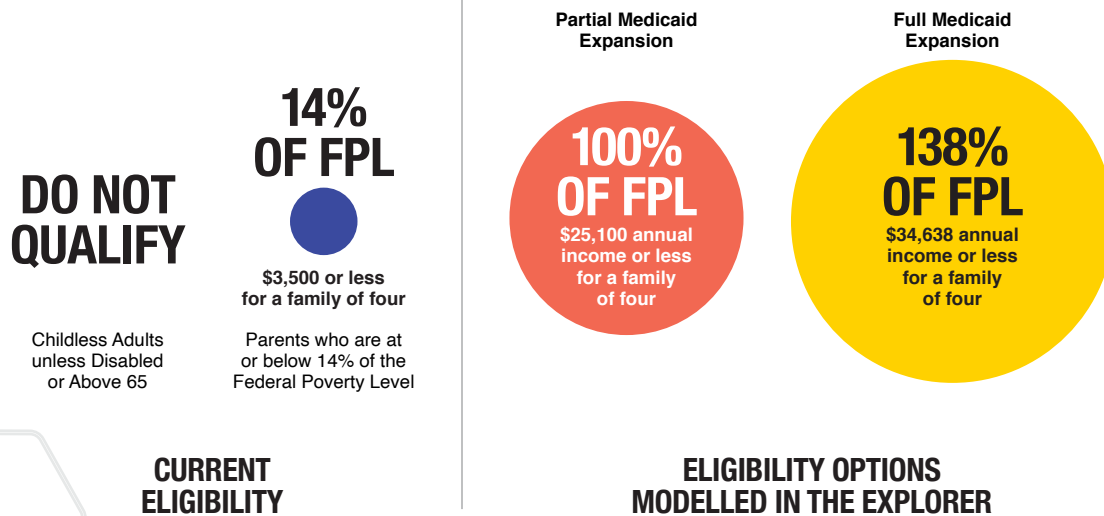
At the end of 2020, Texas Medicaid provided health insurance to 4.4 million Texans. Currently, it’s available to adults with low incomes in specific vulnerable populations, including:

- Pregnant women;
- People who are blind, who have a disability or who have a family member with a disability living in their household;
- Very low-income parents and people responsible for a child who is 18 or young; and
- Low-income seniors who are 65 years or older.

To reduce the number of uninsured people, Texas 2036’s Health Coverage Policy Explorer models three policy options that change Texas’ Medicaid eligibility to cover more Texans. Soon we will also model a policy proposal to improve Medicaid by incorporating additional personal responsibility components, such as small premiums, co-pays, and incentives for healthy behavior choices like smoking cessation, which are inspired by Indiana’s program.

### Current Texas Medicaid Eligibility vs. Explorer Modelled Options

*Texas has a higher uninsured rate than the nationwide average*



*Note: FPL stands for federal poverty level, used to determine Medicaid and ACA Subsidy eligibility. Source: Demography/GIS Team. Center for Analytics and Decision Support. Texas Health and Human Services Commission.*



## 2. Individual Marketplace under the Affordable Care Act

In 2020, more than 1.28 million Texans shopped for health insurance plans in the Affordable Care Act insurance marketplace, which is run by the federal government at HealthCare.gov. Federal subsidies are available to those Texans who participate, based on citizenship, age, and income.

**Texas 2036's Health Coverage Policy Explorer analyzes two different sets of insurance marketplace policy options to reduce the number of uninsured in Texas:**

- **Affordable Care Act Improvements (or Texas' Individual Marketplace Improvements).** The Health Coverage Policy Explorer models the impacts of Texas implementing: A) a State-Based Health Insurance Exchange and/or B) a Focused Rate Review Process.

### *A) State-Based Health Insurance Exchange*

More than a dozen states, including Virginia and Pennsylvania, have decided it would be better for their citizens to run their own State-Based ACA Marketplaces, instead of relying on the federal government to do so. The Health Coverage Policy Explorer models the policy options Texas can adopt to improve the marketplace for Texans, such as running the ACA Marketplace at a lower cost. This option would also allow the state to collect more than \$200 million in insurance fees that Texans are sending to the federal government to operate the ACA Marketplace today.

### *B) Focused Rate Review Process*

The Explorer also models the impact of a Texas Focused Rate Review, which would increase gross premiums of the “benchmark plans” offered in the Texas ACA Marketplace to reflect actual program costs. The premiums of the benchmark plans are used to calculate the total subsidies for which individuals are eligible. Higher benchmark premiums mean more federal subsidies.

Those Texans who are eligible for subsidies will continue be able to purchase benchmark plans for the same amount they do today, because the increased federal subsidies will cover the increased benchmark premium costs. The important advantage is that they will also find non-benchmark plans at lower net premiums because the non-benchmark gross premiums won't be impacted by Focused Rate Review, and because federal subsidies are set from the (now) higher benchmark premium rate.

*Increased federal subsidies will allow Texas to maximize every federal dollar available and provide individuals the opportunity to purchase the insurance plan that is right for them and their families.*

- **Federal 1332 Waivers (Or Innovation Waivers).** Texas can pursue federal waivers to add a range of innovations to the health insurance marketplace. These waivers are negotiated extensively with the federal government.

The Health Coverage Policy Explorer models options for:

- Reinsurance Pools (both claims-based and condition-based), which fund high-cost claims or individuals outside of the marketplace to reduce average premiums; and
- Subsidy Optimization, which is a new concept to improve how subsidies are allocated and optimized to increase their effectiveness. This option requires that Texas first establish a state-based insurance exchange (see ACA Improvements above).

It remains to be seen what approach the new presidential administration will take with regards to 1332 Waivers.

## What results does the Health Coverage Policy Explorer show?

Below are some health coverage policy options and combinations that have been discussed by Texas legislators for lowering the number of uninsured Texans. These demonstrate the range of possibilities available to lawmakers and the effects over the next four years.

Within the Health Coverage Policy Explorer, Texans can review the default assumptions and set their own for factors such as the percentage of eligible Texans expected to participate in coverage. The numbers listed below show the default assumptions that our experts utilized.

Sample Policy Combinations	Newly Insured	Net State Cost/Savings	Cost/Savings Per Person	Remaining Uninsured
Full Medicaid Expansion	723K	\$1.3M	\$1.80	4.82M
Partial Medicaid Expansion	502K	\$760M	\$1,515.30	5.04M
Targeted Medicaid Expansion	140K	\$120M	\$856.70	5.4M
Focused Rate Review + State Exchange	275K	\$85.4M	\$311.80	5.27M
Reinsurance Pool — Condition-Based (5% premium reduction)	8.92K	\$27.3M	\$3,063.10	5.54M
Full Medicaid + Rate Review	973K	\$1.62M	\$1.70	4.57M
Full Medicaid + Rate Review + State Exchange	1.01M	\$42.5M	\$41.90	4.53M
Full Medicaid + Rate Review + State Exchange + Subsidy Optimization	1.04M	\$43.0M	\$41.50	4.51M

COSTS  SAVINGS 

Income, citizenship and residency status of the uninsured Texan determine the availability of coverage. We have broken down Texas’ non-elderly adult uninsured population into six categories and indicated the possible policies that may benefit them. The fiscal impact (in terms of state budget outlays) and benefits (in terms of the increased number of insured Texans) will depend on the type and combination of policies selected.

**Uninsured Texans aged 19–64, by income level, and various health coverage policies that could aid them**

% of Federal Poverty Level	Adults 19–64	Population	Full Medicaid Expansion	Partial Medicaid Expansion	Targeted Medicaid Expansion	Focused Rate Review	Subsidy Optimization	Reinsurance Pools	Medicaid Improvements (Coming Soon)
0–100%	Citizens and Eligible LPRs	797,097	●	●	●	●	●		●
101–138%	Citizens and Eligible LPRs	356,986	●		●	●	●		●
0–138%	Medicaid Ineligible LPRs	69,681				●	●		
139%–400%	Citizens and LPRs	1,656,582				●	●		
Above 400%	Citizens and LPRs	526,891					●	●	
All	Ineligible Non-Citizens	627,639						●	
<b>Total</b>		<b>4,034,836</b>							

**Eligible LPRs** are Lawful Permanent Residents who have maintained that status for at least 5 years and would be eligible for Medicaid if their income makes them eligible. **Medicaid Ineligible LPRs** are Lawful Permanent Residents who have not maintained that status for at least 5 years. They do not qualify for any Medicaid program, but they may be eligible for subsidies on the ACA Individual Marketplace. **Ineligible Non-Citizens** are non-citizens who are ineligible for both Medicaid and Individual Marketplace Subsidies, regardless of their income level. However, they may be able to purchase unsubsidized ACA health insurance plans outside of the government-run exchange.

## What insights can be drawn from the Health Coverage Policy Explorer?

There are more than 500 scenarios to explore in the tool, but here are seven insights to consider:

### 1. To optimize cost and coverage, the 90% Enhanced Federal Funds match matters.

If Texas wants to maximize the number of Texans who have health insurance at the lowest cost to the state budget, legislators need to pursue a Texas solution that qualifies for the enhanced federal 90% match. To do this, Texas must increase income eligibility for Medicaid to 138% of the federal poverty level (FPL). For a family of four in 2020, that's \$36,156.

By obtaining this funding, Texas can provide coverage to more than 700,000 additional Texans at 10% of its cost and shift more of the costs for existing Medicaid recipients onto the federal government. This policy combination makes the program virtually budget neutral.

This formula reflects the offsets of shifting Texas' existing spending at a 60/40 split to a 90/10 split. Texas will need to pay 10% for some new people to be covered by Medicaid, but other state spending can be shifted to the 90/10 split. Shifted spending at the current 60/40 generates a 30% savings to the state. Other state spending at 100% will generate a 90% savings.

**For instance, increasing eligibility to 138% of the federal poverty level and reforming Texas' ACA Marketplace will allow Texas to provide health insurance coverage to 1 million more Texans for under \$2 per person per year because the federal government will send an additional \$5.3 billion of our federal taxes back to Texas each year.**

Increasing Medicaid income eligibility to

**138%**  
**of FPL**  
covers a family of four making up to  
**\$36,156**  
**in 2020**

## 2. Without negotiating a lengthy federal waiver with a new administration, Texas can lower costs on the ACA Marketplace, increase state revenues, and increase coverage.

Texas legislators can act now to increase the federal subsidies flowing to the state through the ACA Marketplace, as Virginia and a dozen other states do — without the need for a lengthy federal negotiation and at no net cost to the state budget. Actions could include beginning to operate a State-Based Exchange for health insurance and implementing a Focused Rate Review process. Together, these steps can cover about 275,000 additional Texans while saving the state \$85.4 million per year by 2025 and bringing in an additional \$1.3 billion in federal money.

By running a state insurance exchange, Texas could receive \$200 million in insurance fees that currently go to the federal government, while providing service at a lower cost.

Focused Rate Review ensures that gross premiums for the benchmark plan (from which subsidies are calculated) are increased to reflect actual program costs. This, in turn, will increase the amount of subsidies that Texans are eligible for, so that net premiums for benchmark plans remain the same. These increased subsidies can also be applied to non-benchmark plans, resulting in lower net premiums for those non-benchmark plans and attracting more consumers to the insurance marketplace.

**Texas could leverage an additional \$1.3B**

**in federal money to make insurance more affordable, causing about 275,000 more Texans to sign up**

## 3. Innovative options could help resolve flaws in the ACA Marketplace.

One flaw in the current ACA Marketplace is what's known as the "death spiral": the high cost of premiums discourages younger and/or healthier people from purchasing insurance on the marketplace. Therefore, the marketplace disproportionately serves people in poorer health, often with chronic conditions that are more expensive to treat, which causes premiums to rise further, which pushes additional healthy people out of the market, resulting in even higher

premiums. The death spiral has become so pronounced that for the most part only the sick and heavily subsidized have remained. Premiums have begun to stabilize, largely because most of the less subsidized and unsubsidized healthy people have fled the market. Therefore, Texas must improve market dynamics to attract more young and healthy adults into the risk pool.

Through the 1332 Waiver process, in conjunction with creating a state-based exchange, Texas could take control over how federal subsidies are allocated to make insurance plans more attractive to younger Texans and place downward competitive pressure on insurance premiums. These two factors would bring down overall premiums for everyone. Our model shows that this strategy could add more than 200,000 people to the ACA Marketplace and save the state \$63.8 million by 2025. Also, it could create a long-lasting “virtuous cycle” (the opposite of a “death spiral”) where the positive impacts of a healthier pool of enrollees will continue to attract additional healthy people.

**This strategy could add  
200,000  
people to the  
ACA Marketplace  
and save Texas  
more than  
\$63.8M  
by 2025**

However, this strategy is not without risk. Federal funding for subsidies is capped at a “baseline” amount. If the waiver improves Texas’ state-based exchange too much, which attracts too many new enrollees to the marketplace too quickly, Texas taxpayers could be on the hook for higher premium subsidy costs. It may be possible to mitigate this risk by negotiating with the federal government to allow Texas to cap enrollment or adjust subsidy amounts in future years to reduce the rate of enrollment growth.

An additional risk is that the state does not currently have the infrastructure to administer such a plan and would need to develop it. Despite the risks, the potential for long-term positive impacts is large.

While early impacts may not be as dramatic as other options, the structural reforms put in place lay the foundation for long-term sustainable growth and stability of the individual insurance market.



#### 4. Reinsurance pools offer surprisingly little value to Texas taxpayers

Reinsurance pools seek to reduce the cost of gross insurance premiums (the price of premiums before they are subsidized) in the ACA marketplace by paying for claims from individuals with high-cost conditions or just all high-value medical claims. The goal is to benefit people ineligible for federal subsidies by reducing their gross premiums — without affecting subsidized premiums. These lower gross premiums should attract more people into the marketplace who otherwise would be priced out of insurance. High-cost individuals or claims could be partially funded with the savings from reduced federal subsidies, though the state would be on the hook for the remaining balance.

Reinsurance pools create minimal impact on Texas' uninsured rate, because they require a significant administrative burden but do not help more people sign up for insurance. As the Explorer shows, a reinsurance pool with the goal of reducing gross premiums by 5% by removing the cost of individuals with high-cost medical conditions from the regular insurance pool would cost the state nearly \$150 million per year by 2025 but help only about 10,000 Texans find coverage. A more aggressive reinsurance pool that seeks to reduce gross premiums by 25% would provide a better value but at a much higher cost with approximately 52,000 additional Texans expected to sign up at an increased state cost of \$212 million.

One model with a goal of reducing gross premiums by 5% would cost the state nearly

**\$150M**  
per year by 2025 while only helping approximately **10,000** Texans find coverage

#### 5. Costs and benefits differ depending on the year.

The 2021 legislative session will produce a budget for fiscal years 2022 and 2023. Many benefits of coverage options modeled in the Health Coverage Policy Explorer may not be realized immediately, meaning that the next biennium's actual costs could be higher or lower than projected ongoing costs once programs stabilize.

For example, any policy that requires federal approval can require a slow and painstaking negotiation. Other options, such as a focused rate review process, can also take considerable time, as stakeholders design new plans and educate the public on the new health care coverage options.

In contrast, a traditional full Medicaid expansion (to 138% of the Federal Poverty Level) can occur more rapidly.

As a means of standardization, our analysis looks to 2025 as the point when costs and benefits begin to stabilize for the long term.



## 6. To maximize covered lives at minimal state cost, “all of the above” should be on the table.

The path to having the most people with health coverage at the lowest taxpayer cost requires mixing and matching various strategies captured in the Health Coverage Policy Explorer. For example, if the state pursued the following options:

- a. Increase Medicaid eligibility to 138% Federal Poverty Level, either through traditional Medicaid expansion or an 1115 Medicaid Waiver negotiated with the federal government to improve the Medicaid program;
- b. Conduct Focused Rate Review at Texas Department of Insurance; and
- c. Establish a state-based health insurance exchange;

The net effect would be about 1 million newly insured Texans with a net state savings of over \$40 million by 2025. Even a scaled-back version, including a Medicaid Program that qualifies for the Enhanced 90% Federal Match and focused rate review process, could see nearly a million newly insured Texans for just a net state cost of \$1.6 million total per year by 2025 (\$1.70 per newly insured Texan per year).

A comprehensive approach, combining choices from all three sets of policy options, can add even more Texans to the insured rolls. If the state pursued the following four options:

- a. Increase Medicaid eligibility to 138% Federal Poverty Level, either through traditional Medicaid expansion or an 1115 Medicaid Waiver;
- b. Conduct Focused Rate Review at the Texas Department of Insurance;
- c. Establish a state-based exchange; and
- d. Optimize subsidies through a 1332 Waiver;

The net impact would be 1.04 million newly insured Texans with net state budget savings of \$43 million by 2025.

## 7. Fully deploying the Texas coverage toolkit still leaves room for additional policy action.

None of the coverage policy options available to Texas is a silver bullet. Even under the most optimistic scenarios (regardless of cost) with the policies we've modeled, nearly 14% of Texans would remain uninsured. We know many Texans who are eligible for assistance will not sign up, but we don't know exactly why. This remains an area for additional study.

While increasing insurance coverage is an important policy action, Texas must also address health care affordability and access. Many Texans, both insured and uninsured, do not receive necessary care due to cost or the lack of available care options.

Before the pandemic, 56% of Texas households with insurance, and 75% of households without insurance, reported skipping or postponing health care because of costs, according to Episcopal Health Foundation research. Further, families on Medicaid have difficulty finding doctors who accept new Medicaid patients. Also, families with private insurance struggle to afford out-of-pocket expenses such as high deductibles and co-pays. And accessible options for primary and emergency care are often lacking for families who live in rural areas or more impoverished neighborhoods.

A competitive marketplace would make health care more affordable, and it would give Texans options to regain control over their health care expenditures. A critical first step is making information on price and quality more transparent so Texans can make informed choices. The state also should remove bureaucratic barriers to increased utilization of telemedicine services and increase options for in-person visits by allowing nurse practitioners to practice independently in areas that are chronically short of health care providers.

These areas all work together to increase Texans' access to affordable care. Lower health care prices will cause more people to get the care they need,

**None of the coverage policy options available to Texas is a silver bullet**

which will keep Texans healthier and reduce the need for more expensive interventions later on. And they will bring down the cost of insurance, which will enable more people to get covered.

Our goal at Texas 2036 is to ensure all Texans can afford and access the care they need, when they need it. Learn more about Texas 2036's complete legislative agenda on health care at [texas2036.org/agenda/](https://texas2036.org/agenda/).

## Where does Texas go from here?

In 2021, Texas legislators have one big opportunity and hundreds of options to make significant improvements in health insurance coverage for Texans.

That said, none of these policies is a silver bullet.

Even under the most optimistic scenarios under the policies we've modeled, nearly 14% of Texans would remain uninsured. Increasing insurance coverage is an important tactic, but we need to do more to increase health care affordability and access.

## Frequently Asked Questions

### 1. What is the Health Coverage Policy Explorer?

The Health Coverage Policy Explorer is a new online dashboard that allows Texans to explore the costs and benefits of more than 500 policy combination scenarios available coverage to Texas legislators as they seek to increase health insurance coverage.

### 2. Who is the Health Coverage Policy Explorer for?

This public online tool is for all Texans to better understand the options available to policymakers, but those familiar with health care policy will find it the most useful as a tool to test different combinations and assumptions while crafting a health coverage policy for Texas.

### 3. What is the goal behind the development of the Health Coverage Policy Explorer?

Texas 2036 created this public tool to reintroduce objective facts into the conversation about health coverage. As for takeaways, the three biggest are:

- Developing a Texas plan that qualifies for the 90% enhanced federal match is crucial to increasing coverage at a minimal impact to the state budget.
- There are low-risk and low-cost options available for Texas to make private insurance coverage more affordable by increasing federal subsidies.
- While there are a number of different options for Texas to reduce the number of uninsured Texans, none of those methods (not even all of them in combination) is a silver bullet that will solve the larger problem of access to affordable health care.

### 4. What makes the Health Coverage Policy Explorer different from other analyses discussing health coverage options for Texas legislators to consider?

Our tool is the only one that we're aware of in Texas that looks at not just one option for increasing coverage, but at options across the policy spectrum, including various forms of Medicaid expansion, as well as improvements to Medicaid (coming soon) and options to improve access to private insurance.

Our overall estimates vary slightly from some other groups', but they are generally in-line with most other expert analyses. One of the most notable differences with our projections in the Explorer is the “take-up rate,” which is the percentage of eligible Texans who would be expected to sign up for health coverage that becomes available. The objective of our analysis was to come as close as possible to how our state agencies and the Legislative Budget Board would conduct the analysis, and so our experts — a former State Medicaid Director, and a former Chief Financial Officer for HHSC — conducted detailed analysis of various categories of individuals who would become eligible, and created tailored take-up rates for each category. For the largest category of individuals — those without any previous insurance or state assistance with health care expenses — our experts estimated a take-up rate of 50%. However, we're cognizant that this estimate is merely an educated guess, and so we allow tool users to modify this assumption to create their own results.

## 5. What time frame does your Health Coverage Policy Explorer cover?

The Explorer models the cost and enrollment impacts through 2025. We use 2025 for our “headline” numbers because by then the policy options the Explorer analyzes would be fully implemented, and any initial start-up challenges should be smoothed out. In terms of concerns about population growth — the increases in absolute numbers shouldn't be a concern because the relative financial burden is likely to remain the same or decrease. That is, it's unlikely that program expenses would increase at a faster rate than overall state revenues.

## POLICY OPTIONS

### 6. How did Texas 2036 pick the policy options to analyze in the Explorer?

We chose which options to model through a combination of listening to what policymakers were already interested in and thinking creatively with some of the most innovative experts in the private insurance space, including Greg Fann, Daniel Cruz, and Cheryl Gardner.

We believe these options provide policymakers with an overview of the most-discussed ways for decreasing the rate of uninsured Texans and hopefully will spark discussion of what's possible for Texas.

## 7. Will the Health Coverage Policy Explorer model Indiana's Plan?

We are currently finalizing our model of a Texas version of the "Indiana Plan," which the legislature may wish to consider because it qualified for a 90% enhanced federal match, making it financially viable.

## 8. Which of the policy options analyzed by the Explorer does Texas 2036 support?

Texas 2036 advocates for increasing access to affordable care. Increasing health coverage is only one step toward that goal. We don't care what you call the programs, but we do believe that this tool will provide policymakers and the public with objective, unbiased information on how much various options will cost the state, and how many additional people will obtain health coverage under each option.

Our model especially highlights that there are ways for Texas to create policy solutions that increase coverage and leverage as many available federal dollars as possible. Those include developing an Improved Medicaid Program that qualifies for a 90% federal match and optimizing the private insurance market to increase federal subsidies and lower net premiums.

## BUDGET PROJECTIONS

### 9. How confident are you in modelling the state budget impacts?

We built this tool with state budget impacts in mind. Accordingly, we hired a former Texas Medicaid Director and former HHSC Chief Financial Officer to create projections the way that state agencies do during the budget process.

No projection is perfect, but our projections were designed using the same process that the Legislature relies on for its budgeting process. Additionally, to account for the reality that projections involve a great deal of uncertainty, our tool is the only projection we're aware of that allows users to enter in their own assumptions on some of the most impactful aspects, such as the projected take-up rate for Medicaid programs.

### 10. How does the Health Coverage Policy Explorer handle Medicaid rates — i.e. current payment rates — in calculating costs?

Provider reimbursement rates are an ongoing topic of discussion at the state Capitol each session. Our baseline estimate does assume static reimbursement



rates in calculating the per-member/per-month costs (read more about our methodology in the Explorer’s methodology section).

However, we also allow Explorer users to adjust these baseline costs to account for their own projections of provider reimbursement increases. Our baseline per-member/per-month cost is \$467 and can go as high as \$600.

**11. In estimating costs of different policy options, did you estimate how much Texas spends today — via taxpayers, public health authorities, etc. — directly or indirectly when uninsured Texans put off treatment until they are forced to go to the emergency room?**

We did not estimate the full amount of these costs directly. We did calculate how much state spending could be offset if taxpayer-supported care to certain uninsured populations (such as people incarcerated in Texas prisons) shifted to the federal government.

**12. Which policy options bring back to Texas the most federal dollars, and roughly how much money could Texas recapture by maximizing every dollar?**

There are two primary ways to increase the amount of federal revenue flowing into Texas — ensuring that the Medicaid program qualifies for an enhanced 90% federal match and increasing the number of federal subsidies flowing to Texans purchasing private coverage on the Individual Marketplace. Policy combinations that take advantage of both funding streams bring the most federal revenue to Texas. Our model shows the most additional revenue that could be brought in is around \$5.5 Billion.

## **MEDICAID ELIGIBILITY & COVERAGE**

**13. Who is currently eligible for Medicaid in Texas?**

Eligibility standards for Medicaid currently vary based on a combination of factors, including income, assets, health condition, and family status. Our tool focuses on insurance policies for non-elderly adults (ages 18–64). For that group, unless you have a disability or particular conditions (this group is frequently referred to as “able-bodied adults”), income limits are very low and are set as a percentage of the Federal Poverty Level.

For “able-bodied adults” legally responsible for a young child, they can earn no more than 14% of the FPL. That’s \$1,786 per year for an individual, or \$3,668 per year for a household size of four. “Able-bodied adults” without dependents are not eligible for Medicaid, regardless of their income level.

#### 14. Why aren’t more Texans who qualify for Medicaid signing up today?

While there are many theories, it is unclear precisely why Medicaid take-up rates aren’t higher in Texas. Studying in detail the reasons why uninsured Texans remain uninsured, including those who are currently eligible for forms of assistance, will be an area of focus for Texas 2036.

We identified the ranges for our default estimates by looking at historical patterns of take-up in Texas. The ceiling that we identified — 64% — was chosen because that is the take-up rate for pregnant women eligible for Medicaid. Our experts reasoned that pregnant women have more incentive to sign up for coverage as a group than does the general population group that would become eligible for Medicaid under a full expansion scenario.

#### 15. Why are so many children uninsured in Texas?

Our experts estimated that there were about 850,000 uninsured children in Texas in 2018. Of that number, a little under half were likely eligible for Medicaid or the CHIP program, but not enrolled. Notably, the Urban Institute estimated an 88.1% take-up rate for eligible children for both Medicaid and the CHIP program, which is much higher than the adult population.

In looking at how children in Texas are insured compared to other states, the most notable difference between Texas and the national average is in the number of children who are covered by employer-sponsored insurance. 44% of Texas children are, compared to a national average of 50%. That 6% difference accounts for the vast amount of the difference in Texas’ total uninsured rate for children (12.8%) compared to the national average of 5.6%. However, a full answer to the question of why those remaining children are uninsured would merit further study.

## 16. Do any of the Explorer’s policy scenarios provide health coverage for undocumented Texans who make up a percentage of the uninsured in Texas?

Our tool focused on the options available to Texas to leverage federal funding streams to help provide coverage. There are no federal funding streams available to directly provide coverage to undocumented people. However, some of the policy options may result in a small benefit to this population. While undocumented residents are not eligible for either Medicaid or private insurance through the ACA Individual Marketplace exchange, it is possible for them to purchase unsubsidized ACA policies through a private broker, or directly from an insurance company. Policies that have the effect of lowering unsubsidized premiums for ACA plans would thus have a small impact to the options for this group of people.

We estimated that, as of 2018, there were about 630,000 non-elderly undocumented adults in Texas who were uninsured. We began with numbers from the 2018 American Community Survey and the Office of the State Demographer. Those show a total of about 1.25 Million uninsured non-elderly adult non-citizens. Our experts relied on historical estimates that approximately 50% of non-citizens in Texas are lawful permanent residents to develop the 630,000 number.

## 17. The Health Coverage Policy Explorer modelled costs and coverage for a Targeted Population Waiver extending Medicaid coverage to eligible mothers who have given birth from the current coverage level of 2 months after delivery to 12 months after delivery. Why was this option selected?

Past legislative efforts in this regard have achieved significant effort and attention. Our goal with the Explorer is to provide objective analyses of policy options being considered by Texas legislators.

A Georgetown University study ranks Texas last at 25.5% in the rate of uninsured women of childbearing age. In a report to lawmakers, the state’s Maternal Mortality and Morbidity Review Committee found that 89% of pregnancy-related deaths it reviewed since 2013 were preventable and 31% occurred 43 days to one year after the end of pregnancy. The committee’s review also found significant racial disparities in the overall rate of severe maternal morbidity, which the Centers for Disease Control and Prevention

defines as unexpected outcomes of labor and delivery that result in significant short- or long-term consequences to a woman's health. Although the rate remained relatively stable from 2011 to 2018, the rate for Black and Hispanic women worsened. In 2018, for example, the severe maternal morbidity rate for Black women in Texas was 299.4 cases per 10,000 delivery hospitalizations, significantly higher than the overall state rate of 182.3. Hispanic mothers also posted higher morbidity rates, signaling that being poor, Hispanic or Black increases the likelihood of death after delivery. Last session, the state House passed legislation to provide 12 months of Medicaid coverage to mothers following childbirth.

## ACA MARKETPLACE

### 18. What other states have taken over from the federal government and operated their health insurance marketplaces for their citizens' benefit?

States are free to operate their own exchange, and they can do so at a lower cost than what the federal government is charging right now. States that currently operate their own exchange include Colorado, California, Connecticut, Washington DC, Idaho, Maryland, Massachusetts, Minnesota, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, and Washington. Pennsylvania recently highlighted the potential for savings by taking this step.

### 19. Why have few other stakeholder groups focused on the creation of a state-run health insurance marketplace or on innovative initiatives to maximize federal subsidies as a way to reduce the number of uninsured in Texas?

Part of the reason is that the benefits to doing so became apparent only recently. The primary benefits of creating a state-based exchange are two-fold: 1) Texas can operate an exchange for less money than the federal government is charging Texas to do it; and 2) A state-based exchange provides more flexibility to be innovative under a 1332 Waiver that Texas could negotiate with the federal government. The Robert Wood Johnson Foundation and the Urban Institute noted the changing landscape regarding state-based exchanges in late 2019 (<https://www.rwjf.org/en/library/research/2019/10/states-seek-greater-control-cost-savings-by-converting-to-state-based-marketplaces.html>).

As more and more states have learned what works and what doesn't, the costs of running an exchange have come down. But the rates that the federal government charges to run exchanges have not come down nearly as much. Pennsylvania leaders recently took action to create their own state exchange, bringing more national attention to the potential for savings.

And the additional flexibility that could be obtained in a potential 1332 Waiver was only first announced by the federal government right before our last legislative session in 2019. To date, no state has really taken advantage of that flexibility to do something innovative. Few stakeholders have developed concepts that could take advantage of this increased flexibility.

## AFFORDABLE CARE ACT INNOVATIONS

### 20. How many states have adopted 1332 waivers?

1332 Waivers are State Innovation Waivers. The Affordable Care Act allows states to ask for federal permission to make modifications to the requirements of the Affordable Care Act, so long as certain outcome-based guardrails are met.

Sixteen other states have had 1332 Waivers approved. Of those, all but one used the process to create a reinsurance pool. Georgia created a reinsurance pool and used the flexibility to eliminate exchanges altogether, allowing enrollment through web brokers or insurance companies directly.

### 21. How does the reinsurance pool policy option work to improve the Affordable Care Act marketplace?

Reinsurance pools are one option available to states looking to implement federally designated State Innovation Waivers (1332 Waivers) to reform ACA markets. The objective of reinsurance pools is to make health insurance more affordable for those who don't qualify for subsidies. It pulls out high-value claims from the single risk pool, putting them into a separate risk pool and paying for them separately. By doing so, gross premiums, which are calculated from the main risk pool, should drop. (The reinsurance pools are typically funded through a combination of federal and state funding).

Unfortunately, reinsurance pools haven't had much impact on overall enrollment in states that have implemented them. Our model shows these options to be a poor value for Texas taxpayers.



## Health Coverage Policy Explorer

Texas 2036 is a non-profit organization building long-term, data-driven strategies to secure Texas' continued prosperity for years to come. We engage Texans and their leaders in an honest conversation about our future, focusing on the big challenges. We offer non-partisan ideas and modern solutions that are grounded in research and data to break through the gridlock on issues that matter most to all Texans. Smart strategies and systematic changes are critical to prepare Texas for the future.

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