SpotLight

Health Care Reform

Reducing Ranks of Uninsured Texans Comes at a Price

Texas has the highest percentage of residents without health insurance in the nation. About 27 percent of nonelderly Texans, or 6.1 million people, don't have coverage (*Chart 1*). The rest of the population is insured through an employer, private individual insurance or a public plan such as Medicaid. Congress approved health care reform, known as the Affordable Care Act, in March 2010 in part to reduce the ranks of the uninsured.

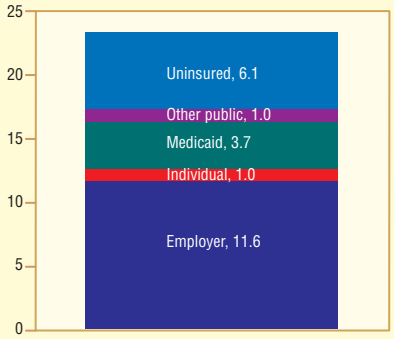
While most of the act's spending and new regulations begin in 2014, some provisions have already taken effect. The federal government created the Pre-Existing Condition Insurance Plan for people with chronic illnesses who cannot obtain insurance in the private market.[1] This high-risk pool offers subsidized premiums so individuals pay only the average rates charged for similar coverage. As of November 2011, only 3,600 Texans were enrolled—out of an estimated 700,000 uninsured with a preexisting condition—perhaps because of entry requirements, lack of publicity or affordability. Texas is allotted $493 million for the risk pool over 3.5 years.

Other regulations already in place allow young adults under age 26 to remain on their parents' plans, ensure that most children cannot be denied coverage due to preexisting conditions and require new plans to cover preventive care without copayments.

Chart 1

Number of Uninsured in Texas Totals 6.1 Million

Coverage by source (millions)*



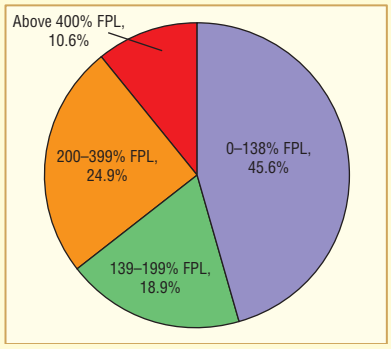
*Nonelderly population.

SOURCE: State Health Access Data Assistance Center using 2011 Current Population Survey data.

Chart 2

Uninsured Population Dominated by Poorest Texans

(Shown in percent of federal poverty level, or FPL)



SOURCE: State Health Access Data Assistance Center using 2011 Current Population Survey data.

Starting in 2014, insurance companies can't reject enrollees or charge different rates based on preexisting conditions, health history and gender. In return, most people will be required to have health insurance or pay a fine.[2] Health insurance exchanges will be formed as a marketplace for plans and consumers.

To assist with the cost of buying insurance, subsidies will be given to citizens and legal permanent residents with incomes between 133 percent and 400 percent of the federal poverty level (FPL). Those percentages equate to yearly incomes between $30,657 and $92,200 for a family of four in 2012. In addition, Medicaid will be expanded to nearly all nonelderly citizens below 138 percent of the FPL.[3] In Texas, 44 percent of the uninsured fall between 139 percent and 400 percent of the poverty line, and 46 percent are at or under 138 percent of the poverty line (*Chart 2*).[4]

The act also requires employers with more than 50 employees to make "meaningful" contributions to health insurance or pay an annual fine of $2,000 per full-time employee (minus the first 30 employees).[5] Those with fewer than 25 employees may qualify for tax credits for their insurance contributions (those with 25 to 49 receive neither a tax credit nor fine).

Federal health reform is funded through three main avenues: expected savings to the Medicaid and Medicare programs; new taxes on the medical industry, individuals with incomes of more than $200,000 ($250,000 for couples) and high-cost insurance policies (dubbed "Cadillac" plans); and tax penalties on individuals and companies that don't purchase or provide insurance.[6]

Consumers may face higher premiums, which tend to increase annually as health care costs rise. The new regulations may also play a role in higher premiums. Average premiums increased 9 percent in 2011 for employer-based family coverage across the nation, compared with 3 percent in 2010 and 5 percent in 2009, according to the Employer Health Benefits survey.[7] Aggregate health spending in 2010 increased 3.9 percent, 0.1 to 0.2 percentage points of which were attributed to the act.[8]

—Yingda Bi

Notes

[1] The federal high-risk pool was established in addition to the Texas Health Insurance Pool created by the state before federal health reform.

[2] A U.S. Supreme Court decision is pending about the constitutionality of the so-called individual mandate.

[3] The law specifies Medicaid expansion to 133 percent of federal poverty level based on modified adjusted gross income with a special adjustment of 5 percentage points.

[4] An estimated 1.7 million unauthorized immigrants live in the state. They are ineligible to participate in Medicaid, insurance exchanges and federal subsidies.

[5] For more detailed information, see the Congressional Research Service's summary of potential penalties at www.ltgov.ri.gov/smallbusiness/employerprovisions.pdf.

[6] Some observers question whether projected cost savings will be realized. See "Federal Health Care Law Promises Coverage for All, But at a Price," by Jason Saving, Federal Reserve Bank of Dallas *Economic Letter*, vol. 6, no. 2, 2011, www.dallasfed.org/research/eclett/2011/el1102.html.

[7] "Employer Health Benefits," the Kaiser Family Foundation and Health Research and Educational Trust annual survey, 2011, http://ehbs.kff.org/pdf/2011/8225.pdf. Premium growth is not adjusted for inflation.

[8] "Growth in U.S. Health Spending Remained Slow in 2010; Health Share of Gross Domestic Product Was Unchanged from 2009," by Anne B. Martin, David Lassman, Benjamin Washington, Aaron Catlin and the National Health Expenditure Accounts Team, *Health Affairs*, vol. 31, no. 1, 2012, pp. 208–19.