

Government Mandates Make Health Care Less Affordable for Texans

The Truth About the High Cost of Health Care

The cost of health care is high and still rising, and health insurance costs too much for many hardworking families. As the cost of health care services like hospital stays, medical screenings and prescription drugs continues to increase, the price of insurance has to go up to cover these costs. One of the most significant threats to health coverage affordability for Texans is the increasing number of government mandates related to provider payments, provider contracting and benefits. These mandates not only drive up the costs of health care, but also limit innovation, private market negotiations and consumer choice. In a survey of NFIB members, the cost of health insurance was ranked as the number one problem and priority for small business owners.

While often well-intended, government mandates typically have unintended consequences on health insurance costs, which lead directly to higher premiums for Texans. When the government creates a health care mandate to help a small, specific group of people, premiums go up for everyone. While a single mandate may increase premiums by as much as 5%, even a 1% premium increase has a large financial impact on families and employers. Every 1% premium increase costs consumers and employers an estimated \$230 million a year in the fully-insured market.

Texas employers shoulder the biggest burden when it comes to government mandates because most Texans receive health coverage through their employer. Adding expensive new mandates to health plans increases the costs for business and employers and adds to the growing number of uninsured Texans. Employees ultimately pay the high price of mandated benefits through high premiums, co-pays, reduced wages and benefit reductions. Most large businesses receive their health care benefits under self-funded arrangements, which are preempted from state regulation under ERISA and so are exempted from state mandated benefits. As a result, health benefit mandates disproportionately impact costs for small employer and individual policies.

Too Many Mandates, Too Much Money

Texas has more than 40 mandated insurance benefits, which is third most in the country. New mandates make health care less affordable and can each raise the cost of monthly premiums by up to 5%. For every 1% increase in premium costs, Texans and Texas employers are on the hook for an estimated \$228 million in the fully-insured market each year.

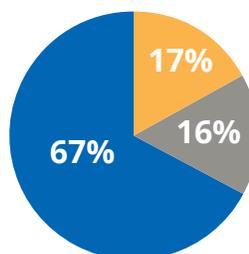
Health Insurance Mandates Hurt Small Businesses by Driving Up Costs in the Fully-Insured Market

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Texas has 41 mandated benefits— which is the third most of any state—contributing to the high cost of health care in Texas

Health insurance mandates disproportionately impact small businesses and families in Texas

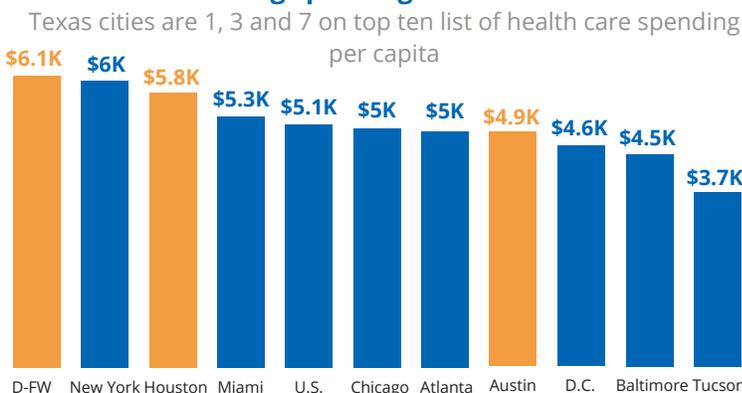
- Uninsured
- Fully insured coverage regulated by (TDI)
- Self-insured or government coverage



23%

New health benefit mandates are responsible for up to 23% of all premium increases between 1996 and 2011, driving up health care costs for employers and consumers

Texas' big spending on health care



Texas' two most expensive cities are almost double the cost of the 10th most expensive city in the country

Dallas News, How to fight Dallas-Forth Worth's high health costs?, 12/18.

TAHP Position:

- TAHP opposes all government mandates, including payment, contracting, administrative and benefit mandates, which reduce private market competition, limit consumer choice and drive up the cost of health care.
- TAHP supports health plans' ability to competitively negotiate contracts with health care providers in the private market without restrictive government mandates that limit competition.
- TAHP supports health plans' freedom to competitively contract with the highest quality and value providers and pharmacies available to provide Texans with better access to quality, cost-effective health care.
- TAHP supports effective, efficient regulations and transparency requirements that protect Texans and providers without driving up health care costs.
- TAHP supports continuing to give Texas employers and families additional options that are more affordable than benefit plans containing all state-mandated benefits. Any new mandates adopted should not be required for "consumer choice" plans.

Four Types of Mandates

Any Willing Provider or Contracting Mandates

- Restrict private market negotiations and limit competition
- Force health plans to contract with providers regardless of quality, access or cost increases
- Any Willing Pharmacy mandates increased premiums for consumers by 6 to 21%
- Any Willing Pharmacy mandate promoted by the Obama administration would have increased Medicare costs for taxpayers by \$21.3B over 10 years

Payment Mandates or Government Price-Setting

- Force health plans to pay government rate instead of private-market negotiated rate
- Create perverse incentives for providers to bill higher and higher charges that are often 10 to 20 times, and sometimes even 100 times, what Medicare would pay
- Incentivize providers to remain out of network, significantly increase health care and consumer out-of-pocket costs, and create higher health insurance premiums

Benefit Mandates

- Force health plans and employers to cover specific provider types and health care services such as acupuncture, fertility treatment and substance abuse programs
- Require health plans and employers to cover specific types of enrollees and dependents
- Increase the cost of care between 10 and 50%

Administrative Mandates

- Force health plans to standardize business operations in the private market, complicate the administrative process and add unnecessary costs to the system
- Restrict standard procedures, stifle innovation and cause increased operational costs to be passed on to employers and consumers without adding value to the system

TEXAS ASSOCIATION OF HEALTH PLANS

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