

Texans expected to be big players in health insurance exchange  
Friday, July 12, 2013

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A broad spectrum of health insurance providers, from industry titans to community nonprofits, are planning to provide individual coverage to Texans as part of the federal health care overhaul.

Here, as in most states, a single provider — Blue Cross and Blue Shield of Texas — holds more than 50 percent of the market share for individual insurance. But, since Texas has a large number of uninsured people and dozens of providers already competing against each other, the state is uniquely positioned to see a high rate of participation in its health insurance exchange, experts said.

The exchange is an online marketplace, set up by the federal government, where Texans can comparison-shop for plans beginning Oct. 1, with coverage beginning as early as January 2014. The exchange is meant for those whose employers don't provide coverage, and those with incomes between 100 to 400 percent of the poverty level are eligible for subsidies.

Among brand-name companies, Blue Cross and Blue Shield, Humana and Cigna are expected to participate in the exchange. Blue Cross and Blue Shield expects to offer plans in all counties. Aetna and UnitedHealthcare declined to comment on their plans.

Some groups that have concentrated on government-funded health insurance are looking to expand their commercial plans or offer them for the first time. These include Central Texas' Sendero Health Plans, Houston-based Community Health Choice, Community First Health Plans in South Texas and Superior HealthPlan, which covers people throughout Texas.

One major enticement for insurers is the 5.8 million people without coverage in Texas, about a quarter of the population — the largest proportion of uninsured of all the states. The lack of big hospital systems also means there's plenty of health providers, opening up room for insurers, said Linda Blumberg, a senior fellow at the Urban Institute who studies health care.

"The potential for growth, to find new customers and new revenue, is almost unparalleled," said Stacey Pogue, a senior policy analyst at the Center for Public Policy Priorities who specializes in health care.

But to tap into that potential, an insurer would need to offer premiums at a competitive rate, and price calculations were made with many variables unknown. Insurers priced plans without seeing what rates others on the exchange will offer, and they won't be able to submit premium cost changes until fall 2014.

"This first year, all of the participants in this exchange are going in blind," said Lee Green, chief marketing officer for Scott & White Health Plan, which plans to offer

insurance on the exchange. “You have to rely on your past experience, you have to rely on your instincts.”

Insurers also face skepticism toward “Obamacare” from some people, and virulent criticism from others, amid the federal government’s recent announcement that companies with 50 or more employees won’t be required to provide insurance until 2015.

Austinite Kyle DeHaas, 42, said he’s a believer in the principle of universal health care but would likely buy insurance on the exchange only if it cost less than \$200 a month. In 2009, DeHaas lost his insurance shortly after he was laid off, and he now is a self-employed business broker.

“My baseline health is good,” he said, adding, “But I do ride a motorcycle.”

Throwing their hats in

About half of the 43.8 million Americans expected to eventually gain coverage on an exchange will obtain individual insurance, according to a 2010 report from the Urban Institute. Those who aren’t insured will face a fine beginning in 2014.

A big target audience for insurers are Texans with incomes below 200 percent of the poverty level. They make up 48 percent of those ages 19 to 64 without coverage, according to a 2011 report from the Center for Public Policy Priorities.

Nonprofits that serve low-income populations through Medicaid and the Children’s Health Insurance Program are looking to offer commercial coverage by capitalizing on the resources they already have.

“We like to stress the advantages of us as a local provider,” said David Lamkin, president and CEO of Sendero. “We have those relationships with network providers, with our hospitals, with physicians. ... We have a personal touch.”

It’s for those reasons that Lourdes Zuñiga, 39, said she’d prefer to purchase insurance from a nonprofit in the Austin area. But Will Love, 27, of Austin said he’ll choose where to buy based on one thing: price.

Ken Janda, CEO of Community Health Choice, said the nonprofit wants to participate in the exchange to cover groups that have been just out of reach, such as women who are covered by Medicaid when pregnant but lose that insurance soon after they give birth when the coverage requirements become more strict. Community Health Choice also covers 40,000 children through CHIP and hopes to sell insurance to their parents through the exchange so that members of a family can have the same medical providers, Janda said.

Sendero is looking at those who might be covered under Medicaid one year — and then in another year make more money and no longer qualify for government-funded insurance. In that case, an individual might obtain insurance through the exchange, Lamkin said. By offering Medicaid and commercial plans, Sendero can ensure this

population visits the same doctor regardless of which insurance option they are under, he said.

But there's a subset of the state's low-income population that nonprofit insurers might not be able to cover. Because Texas chose not to expand Medicaid, there are thousands of people who make too much to qualify for Medicaid and too little to get subsidized insurance on the exchange. Health centers that already offer care to the uninsured will likely provide services to this group, Pogue said.

Another roadblock for some nonprofits is their lack of deep experience in the commercial market.

For instance, Medicaid reimburses hospitals at a rate the government determines, but commercial insurers negotiate rates with hospitals. Community First used a "best-guess" calculation in negotiating reimbursement rates with hospitals, said Greg Gieseeman, president and CEO. He added that large commercial insurers tend to have more leverage and can come away with better rates.

Working out the nitty-gritty details of implementing new insurance plans, a process that would typically take years, now needs to be finished in a matter of months, said Merit Smith, vice president for strategy at FirstCare Health Plans.

One step is setting up a customer-service program, from anticipating the questions people will have to figuring out how best to direct calls. Another is accommodating the alterations to health insurance subsidies the federal government announced just last week, Smith said.

"These late-in-the-game changes are frankly unsettling," Smith said.

### Lingering questions

Love found that insurance was too expensive to pay on his own after the company he had worked for, which helped pay for his coverage, went bankrupt.

Since then, Love, who now has a film production company, has weathered pneumonia and the flu on his own, and he knows that worse things could happen to his health.

"Every time I go hiking, I feel like I'm risking my company," said Love, who hopes to buy insurance on the exchange. "If I have to be on crutches, I can't carry a tripod."

It's younger people with healthy backgrounds, like Love, that insurers hope will purchase coverage.

One risk insurers face is that the sickest people might be the first to purchase coverage. Insurers typically rely on a base of healthy customers to absorb those health care costs.

“The two biggest questions everybody is asking are, how many people are going to show up for the marketplace, and who are they?” said Ray Smithberger, president and general manager of Cigna’s individual and family plans.

Because of these unknowns, several smaller nonprofits in Texas’ exchange said they will only offer plans in a limited area the first year and potentially expand later. A couple of major insurers, such as Aetna and Cigna, have announced they won’t participate in insurance exchanges in certain states.

The Congressional Budget Office has estimated that 7 million Americans will obtain coverage in the first year. More might flock to the exchange, experts said, because the employer mandate won’t go into effect until 2015, and those who would have been covered through their job might instead purchase an individual plan.

But many Texans might not purchase coverage until they are penalized, said Charles Begley, a professor at the University of Texas School of Public Health.

Others, like Zuñiga, may just pay the penalty — either \$95 or 1 percent of income, whichever is higher — if insurance is out of their price range.

“Hopefully it won’t be to the extreme that I have to pay the penalty,” said Zuñiga, a freelance journalist. “Hopefully this will be affordable.”

#### Exchange plans

- There are four tiers of individual plans on the health exchange: bronze, silver, gold and platinum. Bronze plans will have lower premiums and higher out-of-pocket costs, while platinum plans cost the most but cover more.
- When the plans begin providing coverage as early as January 2014, all must offer the same minimum benefits, which include maternity care and mental health services.
- Families with incomes between 100 and 400 percent of the poverty level are eligible for subsidized insurance on a sliding scale. For a household of two, the poverty level is an annual income of \$15,510; for a household of three, it is \$19,530.
- Insurers applied to be part of the Texas exchange this spring, and the federal government will finish approving insurers by Sept. 4. The federal government and the Texas Department of Insurance haven’t released a list of insurers who have applied, or the number of insurers.

#### For more information

Visit [healthcare.gov](http://healthcare.gov) to sign up for email and text updates, ask questions through a live chat, access a checklist of how to prepare for the insurance exchange and find other information. There is also a 24-hour hot line available at 1-800-318-2596.