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# Texas Insurers Work To Maintain Enrollment As Economy Sours

BY BILL MELVILLE

Through most of 2008, Texas avoided the worst of the national economic crisis. But it won't be so lucky in 2009, nor will its commercial insurance market.

Overall, the state remained healthy compared to the rest of the country, according to the Texas Workforce Commission. Its December 2008 unemployment rate was 6.0 percent, well below the national average of 7.2 percent. When adjusted for seasonal agriculture jobs, Texas lost 25,000 jobs in December, although for the year, employers brought 153,600 new jobs to the state. However, that unemployment rate has been climbing, up from 5.7 percent in November 2008 and 4.2 percent in December 2007, according to the workforce commission statistics.

In a state where employee health coverage falls well below the national average for small businesses, job cuts equal fewer people covered on those plans and fewer able to afford COBRA. However, the federal stimulus package being debated in Congress could help make COBRA insurance more affordable by having the federal government pay up to 65 percent of the employee's premiums for up to a year. Currently, COBRA is available for up to 18 months at the employee's expense.

"Houston and all of the energy patch is now beginning to experience the economic downturn that the rest of the country has felt for some time now, and as a result, we are seeing declining commercial insurance enrollment," said James Watt, president and CEO of Employee Benefits Solutions, a Houston-based benefits consulting firm. "Energy and petroleum companies have cut their capital spending budgets, and in turn, service and support companies in the energy industry are laying people off. We're seeing things we haven't seen before for quite some time."

In north Texas, the problem is the ongoing struggle of higher health insurance premiums. Carolyn Goodwin, principal at Goodwin Benefits Group and immediate past president of the Texas Association of Health Underwriters, said rate increases have become a crushing burden for many small businesses. "They are absolutely crying because of the cost of health insurance. We have some of the highest rates in the country," she said, noting that has led more to consider dropping employee coverage. "I had one client who said, 'I need to get out of the insurance business,'" Goodwin said.

Statewide, it appears large HMOs have worked to keep commercial premium rates as low as possible. Aetna's HMO average commercial premium per member, per month increased by only 5.8 percent from

2006 through third-quarter of 2008, according to HealthLeaders-InterStudy. For the PacifiCare HMO license maintained by parent UnitedHealth Group, the increase during the period was 15 percent. However, Humana’s HMO premium PMPM had a 17 percent decline as its enrollment grew.

The state’s uninsured rate, the highest in the nation at 25 percent, contributes to the premium issues, because the uninsured will wait for health problems to become severe, and then end up at the emergency room, which in turn drives up commercial insurance rates. “The economy has had some impact, but that was an issue regardless. I have had direct fallout due to rate increases,” said Joe Bittner, president of Brooks Bittner Division of Apex Global Partners.

Both Goodwin and Bittner said more businesses are looking to consumer-driven health plan options as a result. As long as the employer works through the initial experience and educates his or her employees well, the high-deductible plans attached to the health savings accounts work well. “HSAs have certainly been a big option and a tool to keeping it affordable,” Bittner said. Pushing up the deductibles on traditional PPO plans has helped other businesses adapt.

Watt said presidential election years generally slow healthcare cost trends, as the possibility of health reform gets bandied about. But the trends for 2009 don’t favor that, Watt said. “Typically, healthcare costs soften or flatten out prior to a major election and tend to grow after an election. We have the double-whammy of a bad economy and declining enrollment, which will drive costs up. We see costs rising in 2009, not falling,” he said.

**Table 2-1: Texas Unemployment Statistics And Estimates**

MSA	Q4 2008 Rate	Q4 2009 Estimate
Houston-Sugarland-Baytown	5.3%	6.6%
Dallas-Ft. Worth-Arlington	5.5%	6.9%
San Antonio	5.3%	6.6%
Beaumont-Port Arthur	7.2%	9.1%
Austin-Round Rock	4.8%	6.1%
El Paso	7.1%	9.3%
Midland	3.3%	4.2%

Source: U.S. Conference of Mayors

**As Unemployed Numbers Rise, So Will Uninsured**

The projected unemployment rates in the state’s biggest markets will rise. According to the National Conference of Mayors, El Paso will have the highest unemployed rate among the state’s largest markets at 9.3 percent, up from 7.1 percent at the end of 2008. The other four still expect unemployment to rise, but not to the same heights—Houston and San Antonio (5.3 percent to 6.6 percent in both MSAs), Austin (4.8 percent to 6.1 percent) and Dallas-Fort Worth (5.5 percent to 6.9 percent).

The Beaumont-Port Arthur and El Paso MSAs had the highest projected unemployed rates in the state for either year; Beaumont and Port Arthur lie along the Gulf Coast and suffered severe damage due to Hurricane Ike.

The health insurance sector has not been immune to the job cuts announced each week. While no Texas-based insurers have announced job cuts, four national insurers operating in Texas have. UnitedHealthcare already cut 4,000 positions, and since the economic downswing worsened, Aetna eliminated 1,000, CIGNA lopped off 1,100 and WellPoint, which operates its UniCare subsidiary in Texas, plans to cut 1,500. Phamarcy giant Pfizer plans to acquire competitor Wyeth, then cut around 8,000 jobs. Those numbers

alone signal the severity of the situation, Watt said. “Since I’ve been in this industry, I’ve not known many health insurance companies that have reduced headcount. That said, a great percentage of insurance company earnings come from their investments, so they’re suffering the results of the stock market just like everyone else,” Watt said.

Those employers who have stuck with their insurance are making adjustments so they can continue offering it through the economic crisis, Watt said. “Most are modifying benefit levels downward, reducing benefits or reducing subsidies and plan on hunkering down for a longer period of time,” he said.

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If Texans are forced into the individual market, they will find costly options in a state that allows underwriters to consider health status when pricing policies. In addition to state-sponsored programs such as Medicaid and the proposed Healthy Texas, individuals losing health insurance may be able to be part of the state’s high-risk pool for those whose conditions are uninsurable. It currently has enrollment of about 25,000.

Health plans are concerned that the escalating economic problems may force consumers into seeking additional treatments. “When people fear they’re going to be laid off, they accelerate their visits to healthcare providers. They get everything they can taken care of,” Watt said.

**Some Fluctuations For PPO Market**

While commercial enrollment losses are certain for 2009, at mid-year 2008, most of the state’s insurers were holding onto their members. Aetna posted a slight gain, while the PPO pecking order in the major Texas markets remained consistent. Blue Cross Blue Shield led in Austin, Dallas, San Antonio, Houston and Fort Worth.

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**Chart 2-2: Texas Commercial PPO Enrollment Market Leaders**

<b>Insurer</b>	<b>Statewide Jan. 08</b>	<b>Statewide July 08</b>	<b>Dallas Jan. 08</b>	<b>Dallas July 08</b>	<b>Houston Jan. 08</b>	<b>Houston July 08</b>
BC/BS of TX	3.76M	3.76M	707,803	707,787	938,412	938,932
UnitedHealthcare	1.48M	1.51M	411,725	419,426	451,123	459,560
Aetna	1.92M	1.93M	402,581	384,286	536,118	491,783

Note: BC/BS of Texas did not report mid-year numbers.

Source: HealthLeaders-InterStudy

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Depending on the market, Aetna and UnitedHealthcare battled for the second ranking. Aetna’s enrollment spiked in a number of markets. While it gained 7,707 members in the six-month period, the changes in individual markets were more drastic—in Houston, it lost 44,405 members, plus more than 18,000 in Dallas. It offset those losses by gaining more than 20,000 members in San Antonio, 8,000 in non-metro Texas, 6,000 in Lubbock and 5,000 in McAllen, among others, according to HealthLeaders-InterStudy data.

UnitedHealthcare showed positive signs as well, bumping up almost 18,000 PPO members to 1.51 million statewide. PPO membership held steady in most markets—Fort Worth lost about 3,000—and gained in Houston (8,000), Austin (2,000), and Dallas (nearly 8,000). Among national carriers offering PPOs, Humana posted the biggest loss, dropping from 426,808 to 388,600 in the six-month window, according to

HealthLeaders-InterStudy statistics. Most of its losses came from Houston, Dallas and Austin, with a slight uptick in San Antonio.

While those numbers might not reveal the economic impact on the commercial market, it won't take long for the impact to show itself in 2009. "We'll see evidence at the end of the first quarter or beginning of second quarter," Watt said.

### Outlook

***The picture is grimmer elsewhere, but Texas firms will get dragged down by the economic undertow. With small businesses struggling against Texas' high premiums, 2009 will undoubtedly be a down year for the commercial market. Expect more movement to higher deductible plan designs and more pressure on the industry to produce affordable individual insurance.*** ■



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