



January 7, 2011

The Honorable Alma Allen  
Texas House of Representatives  
P.O. Box 2910  
Austin, TX 78768

RE: Texas Health Insurance Exchange

Dear Representative Allen,

On behalf of 3,000-plus members from across the State represented by the Texas Association of Business, along with several other groups and Associations, we would like to thank you for this opportunity to provide our ideas and comments regarding the planning and establishment of a Texas Health Insurance Exchange.

As you may know, the Federal Patient Protection and Affordable Care Act (PPACA) establishes new federal private health insurance standards. As part of the Act, states have the opportunity to create “American Health Benefit Exchanges.”<sup>1</sup> These Exchanges must be established no later than January 1, 2014, and will facilitate the purchase of qualified health plans by individuals and small employers.

Although the Act sets broad parameters for the Exchanges and future federal regulations will provide further guidance, states are allowed flexibility in developing their own Exchanges. While we are sensitive to the fact that there are differences in opinion regarding national health insurance reforms, we feel that it is in the best interest of the State of Texas and its citizens to pass legislation addressing and governing an Exchange during the 2011 Legislative Session. We strongly believe that the creation and administration of the Texas Health Insurance Exchange should be the responsibility of our state government. The Exchange design should not be left to the federal government, which will be the ultimate consequence if the Texas Legislature fails to act.

Further, while PPACA has been in law only since March of 2010, the idea of Health Insurance Exchanges has been discussed for decades by various Administrations. In that same regard, the creation of state run-and-operated Exchanges is certainly not a new concept given that several states currently have in place, and are operating, successful Exchange models. Another example of a successful Exchange is the Federal Employee Health Benefits Program that is operated by the U.S. Office of Personnel Management.

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<sup>1</sup> Patient Protection and Affordable Care Act, Pub. L. No. 111-148 Title I Subtitle D, 124 Stat 119 (2010).

The 2011 Legislative Session is Texas' only opportunity to act in order to ensure that the foundation upon which to build an effective and efficient Texas Health Insurance Exchange is established. Collectively as a group, we know that the way the Exchange is designed and how it is regulated will be critical to its ultimate success or to its ultimate failure.

In addressing a Texas Health Insurance Exchange, specifications regarding the Exchange also need to be determined; for example, the administration and governance structure of the Exchange. In order to run as efficiently as possible, the Exchange should be operated as a nonprofit organization established by statute rather than operated directly by a state agency; it should be governed by qualified board members; and it should be managed in an open and transparent manner. The Texas Health Insurance Exchange should also be very careful to ensure that employers and consumers retain the right to choose a health insurance plan by ensuring that all qualified health plans are allowed to offer coverage through the Exchange, rather than allowing the government to dictate which plans will and will not be offered. Health insurance carriers should not be under any obligation to participate in CHIP or in Medicaid as a condition of participation in the Exchange. In addition, Texas hospitals, physicians, and other providers should not be required to participate in Exchange plans, Medicaid, or CHIP as a condition of their licensure. Finally, the Exchange should ensure a level, competitive playing field to avoid adverse selection between the new market created in the Exchange and the existing market outside of the Exchange.

Thank you for your time and for your commitment to this somewhat divisive issue and to the great State of Texas. Our organizations are optimistic as to development of a Texas Health Insurance Exchange as a sound mechanism for expanding access to affordable health insurance coverage in Texas. We look forward to working with and assisting you and your colleagues in developing the Exchange to effectively supplement Texas' current health insurance market, and to provide for the needs of all Texans.

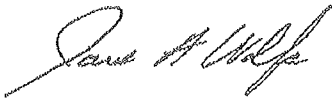
Sincerely,



Bill Hammond  
President/CEO  
Texas Association of Business



Dan Stultz, MD, FACHE  
President/CEO  
Texas Hospital Association



Jared Wolfe  
Executive Director  
Texas Association of Health Plans



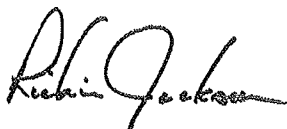
Susan Bailey, MD  
President  
Texas Medical Association



John Colyandro  
Executive Director  
Texas Conservative Coalition Research Institute



Jennifer Ahrens Cawley  
Executive Director  
Texas Association of Life and Health Insurers



Richie Jackson  
Chief Executive Officer  
Texas Restaurant Association

cc: Governor Perry, Lieutenant Governor Dewhurst, Speaker Straus