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Full implementation of the Obama administration's healthcare law.

Jan. 14, 2013

More than 163,000 Texans face double-digit rate increases to their healthcare premiums this year as insurers raise prices in anticipation of higher medical costs and full implementation of the Obama administration's healthcare law.

A number of healthcare providers have proposed rate increases ranging from 10.6 to 36 percent on policies for small businesses and individuals in Texas, state records show.

While billions worth of premium increases have been blocked by insurance regulators in other states, the Texas Department of Insurance doesn't have that power, and Congress stopped short of giving states such authority.

"Texas is in somewhat of an interesting predicament," said Stacey Pogue, senior policy analyst at the Center for Public Policy Priorities in Austin, which is studying the effect of the federal healthcare law on Texas consumers. "There's nothing the state regulator can do to say, 'No, insurer, you can't pass on that rate increase. It's too much.'"

Instead, the Texas Department of Insurance can only warn consumers if it believes that insurance premiums are unreasonable, say critics, including one lawmaker who has proposed legislation to change that. Senate Bill 74, sponsored by state Sen. Rodney Ellis, D-Houston, would require insurance companies to get prior approval for rate increases.

But opponents who defeated the effort two years ago, including insurance companies, say it's unnecessary to add more regulation.

Federal reforms have already put in place a mechanism that permits Texas and other

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rather than a decision by state regulators to impose an “arbitrary” cap and to reject rate hikes. The decision to adjust rates should be based on all of the factors that contribute to premium increases, Zirkelbach said. That avoids a “process that is politicized.”

Under the Affordable Care Act, Texas, like other states, is allowed to conduct an analysis to determine whether rates are necessary to keep up with rising healthcare expenses and consumer populations.

So far, the state regulator has completed screenings of proposals from five healthcare companies and deemed that increases of 10.6 to 13 percent were reasonable.

The regulator can't release any details of the reviews until they are completed, said John Greeley, a spokesman for the insurance department. “It's status quo.”

Pogue and other industry watchers are concerned about the size of some of the rate increases. One company, for example, is proposing increases of 20.78 percent and 35.99 percent, she said. But it's unclear whether the increase will be an average of the two or a combined increase.

“Are they asking to increase by more than 50 percent? It's not clear if they're saying this or wanting to replace one rate increase with another,” she said.

The state also is taking so long to conduct its reviews that the rates may go into effect long before the regulator rules on them.

“That piece has completely no oversight,” Pogue said.

Zirkelbach said the higher rates are needed to make up for rising medical costs and other factors. As the economy slowed, more younger people chose not to purchase health insurance, further driving up rates for others, he said.

Also, the federal health reform law calls for a new insurance tax to take effect in

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“There could be some advantage to consumers having this information,” she said.

And companies may try to ward off a designation that their rates are excessive, Pogue said.

“If the state finds the rate excessive, the public may not buy from that company anymore,” she said.

The federal law caps administrative costs and profits at 20 percent, so if plans don't meet certain thresholds, they are required to send rebates to consumers.

In Fort Worth, some small-business owners say they are bracing for a hit, though they contend they've already seen increases of up to 20 percent in recent years.

Reed Pigman, owner of Texas Jet in Fort Worth, said he is expecting to receive his renewal notice any day now.

“Call me in two weeks,” Pigman said, and he hopes to be able to quantify the damage.

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