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The Economy and Life and Health Insurance Markets

Market structure, demand and supply, welfare incidence, and the 2027 rate cycle as a natural experiment

Belinda Roman, PhD
Associate Professor of Economics · St. Mary's University, San Antonio
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KEY POINTS

Key points on the Texas life & health insurance market

- **Market structure is concentrated on the health side, competitive on the life side.** BCBSTX holds ~66% individual-market share; two 2027 exits (BSW, Cigna) push several North-central counties to a single carrier — classic monopolistic-competition dynamics with high sunk costs and thin marginal-cost pricing.
- **Demand is shifting structurally, not cyclically.** Bexar 65+ share moves 12.4% → ~20% by 2050; 70% of surveyed adults report a chronic condition. Aging and morbidity raise expected claims and steepen the life-underwriting curve on the same households.
- **The 2026 subsidy cliff is a textbook adverse-selection shock — now observed, not projected.** EPTC expired end-2025 (OBBBA); national marketplace enrollment fell 22.3M→17.5M with 27% of the drop concentrated in the 400–500% FPL cliff band. TX first-premium-paid down 4% YoY — first decline since 2019. 2027 filings are the second-year re-pricing on a sicker pool.
- **Welfare incidence lands unevenly by income.** Households at 100–250% FPL absorb the largest net-of-subsidy shock; life-insurance ownership drops sharply below 400% FPL. The two coverage gaps overlap on the same Bexar households.
- **The 2027 rate cycle is a natural experiment.** Weighted filing +13.1% (range +1.3% to +31.1%); stacked with a 347-bp macro connection and 42-bp demographic overlay reaches ~+23% total premium change — revealed price elasticity and pool composition are the empirical payoff.
- **Policy levers are state-level and finite — federal window has closed for 2026.** No Medicaid expansion; EPTC extension was not included in OBBBA and is not on any 2026 legislative vehicle. State tools (reinsurance / 1332 waiver, Silver load, TDI rate review) are now the only margin on which industry advocacy can move outcomes.

Sources: healthinsurance.org 2027 TX filings; KFF; Episcopal Health Foundation; CDC PLACES Bexar; Texas 2036; LIMRA 2026 Barometer.

FRAMEWORK

National, state, and local lenses used throughout this deck

ADVERSE SELECTION

When price rises and coverage is voluntary, the healthy leave first. Mean claims per remaining life rise, base rates re-price up, more marginal enrollees exit — the classic Akerlof spiral. The 2026 EPTC expiration was the trigger; 2027 filings are the second-year re-pricing on a shifted pool.

DEMAND ELASTICITY & INCIDENCE

Own-price elasticity for individual coverage clusters around –0.3 to –0.6 in the subsidized range and steepens sharply near the subsidy cliff. Because ~85% of TX marketplace enrollees receive EPTCs, the statutory incidence sits on the federal government; the economic incidence lands on the 100–250% FPL band where subsidy phase-out is fastest.

MARKET STRUCTURE

Individual TX health insurance is best described as concentrated monopolistic competition: high sunk network costs, differentiated products, and 2–4 dominant carriers per rating area. Life insurance is more competitive but faces underwriting cost differentiation on age and morbidity — both markets serve the same aging cohort simultaneously.

NATURAL EXPERIMENT

The 2027 rate cycle stacks three exogenous shocks — macro (347 bp), demographic drift (42 bp), and filed medical trend — onto a subsidy-policy shock. Comparing enrollment and mix responses across counties gives cleaner identification of elasticities than any single cross-section.

Framework references: Akerlof 1970 (adverse selection); Cutler & Zeckhauser handbook chapter on health insurance markets; KFF marketplace elasticity syntheses.

The Macro economic backdrop into 2027

Where the economy stands at year-end 2026

Indicator	Latest official read	FOMC SEP 2027	Source
Real GDP (Q2 2026, 2nd est.)	**+1.5% ann.**	→ +2.4% (Q4/Q4)	BEA / FOMC SEP
FOMC median 2026 GDP	+2.3% (Q4/Q4)	→ +2.4% (2027)	Fed SEP Sep 16
Core PCE (Jul 2026, YoY)	**3.3%**	→ 2.5% (SEP 2027)	BEA / Fed SEP
Headline PCE (Jul 2026, YoY)	**3.7%**	→ 2.3% (SEP 2027)	BEA / Fed SEP
CPI (Aug 2026, YoY)	**3.4%**	sticky above target	BLS Sep 11
Unemployment (Aug 2026)	4.1% (unchanged)	→ 4.1% (SEP 2027)	BLS Sep 4 / Fed
Nonfarm payrolls (Aug 2026)	**+162K**	moderate pace	BLS CES
Fed funds target (Sep 16)	**3.75–4.00%**	+25 bp; 1 more signaled	FOMC statement

Health-cost dial for 2027

9.0% — PwC 2027 medical cost trend — highest in 17 years.

+3.5% — Vizient 2027 pharmacy inflation forecast (summer 2026 outlook).

+4.7% — Vizient 2027 indirect / non-labor spend inflation forecast.

~$6T — US health spending approaching $6T in 2027 (PwC HRI).

Read into the 2027 rate cycle

- **Growth slowing then re-accelerating:** BEA Q2 2026 GDP at +1.5% ann. vs FOMC SEP 2.3% (2026) / 2.4% (2027) — income growth thin during the 2027 rate year.
- **Inflation still above target:** Core PCE 3.3% and CPI 3.4% today — SEP path only reaches 2.5% core PCE by end-2027, and medical trend runs hotter than the aggregate.
- **Labor holding but no cushion:** Unemployment 4.1% (BLS Aug) and +162K payrolls with Fed at 3.75–4.00% and one more hike signaled — little buffer for households already absorbing the +58% payment jump from 2026 EPTC expiration.

Sources: BEA GDP 2Q26 (Aug 26) & Personal Income July 2026; BLS Employment Situation Aug 2026 (Sep 4) & CPI Aug 2026 (Sep 11); FOMC Statement & SEP Sep 16, 2026.

How Treasury issuance and Fed policy transmit through the dollar to insurance books

Where rates, dollar, and Treasury supply stand — Sep 2026

Reading	Latest	Direction	Source
10-yr Treasury yield	**~5.00%**	Highest since 2023	Bloomberg Sep 14
DXY (dollar index)	**~98.8**	Below 99 — structurally soft	ICE / StockWireX
Fed funds target	**3.75–4.00%**	+25 bp Sep 16; 1 more signaled	FOMC SEP
Treasury buyback (Aug expansion)	**up to $83B**	10–30y bonds thru Nov 4	Treasury / StockWireX
DXY–10yr 30-day correlation	+0.40	Highest in 2+ months	Bloomberg
US L&H reserves ceded offshore	**$1.3T (2023)**	Up from $710B (2019)	Treasury FIO 2025

Three transmission chains for TX carriers

Gov borrowing → yields

Elevated federal deficit and heavy coupon issuance push term premium up. Treasury buyback ($83B, 10–30y, through Nov 4) partially offsets long-end supply — a rate-suppression signal, not a plumbing operation. Net: long yields elevated but capped near 5%.

Yields → dollar (weakly)

Historically higher US yields lift the dollar. In Sep 2026 the DXY–10yr correlation is only +0.40 (Bloomberg). Buyback plus persistent deficits erode the interest-rate advantage; DXY sits below 99 despite 5% yields — structurally soft.

Dollar → carrier books

Weak USD raises the USD cost of offshore reinsurance (Bermuda/Cayman ceded reserves rose $710B → $1.3T). Also lifts USD cost of imported medical devices & pharma — feeds MLR with a lag, into 2028 filings.

IMPLICATION FOR 2027 FILINGS: yield tailwind on carrier reserve income partly offsets a softer dollar raising offshore-reinsurance and imported-medical costs — a wash on 2027 rates, but dollar channel loads onto 2028 filings if DXY stays below 99.

Sources: Bloomberg (Sep 14, 2026); StockWireX "Dollar Falling as Yields Recover" (Sep 2026); U.S. Treasury Buyback expansion (Aug 19, 2026); FOMC SEP (Sep 16, 2026); Treasury FIO Annual Report (Sept 2025).

INTEREST RATES & FX

Mores Specific Macro transmission mechanisms to health and life books — three channels

INTEREST-RATE TAILWIND

Investment income

Health insurer net investment yield hit **4.16% in 2024** — a decade high. Cash and short-term instruments generated 30% of gross investment income vs. 1% in 2021 (NEAM 2025).

L&H net investment income: **$247.7B in 2024, +10% YoY** — ~21% of sector revenue (Treasury FIO 2025). Cushions the pressure to reach target ROE via headline rate; may explain why 2027 filings are moderate.

DISINTERMEDIATION OFFSET

Life-book surrenders

L&H policy surrenders reached **$484B in 2024 (+16%)** after +17.9% in 2023. Policyholders exit low-guarantee vintages to capture higher money-market yields (Treasury FIO 2025).

L&H pre-tax operating income **fell 29% in 2024**; margin dropped 6.4% → 4.1%. Duration matching (~41% of bonds are 10y+) softens but does not eliminate the squeeze on legacy books.

FX & CROSS-BORDER

Reinsurance and imports

U.S. L&H reserves ceded offshore: **$710B (2019) → $1.3T (2023)**. Bermuda / Cayman flows settle in USD; H1 2025 saw USD weaken 8–12% vs. GBP, EUR, CHF (Milliman).

Indirect FX pass-through: **medical device & pharma imports** re-price with a lag, feeding into MLRs and next-cycle rate filings. Small for a domestic TX carrier but growing with tariff and reserve-currency uncertainty.

CROSS-BOOK IMPLICATION FOR BEXAR: the aging chronic-disease cohort simultaneously raises health claims AND accelerates life-book lapse — higher rates amplify the second channel on the same households the first channel is repricing.

Sources: U.S. Treasury FIO Annual Report on the Insurance Industry (Sept 2025); NEAM Group Health Investment Highlights (Sept 2025); Milliman "How to handle foreign currency volatility for (re)insurers" (Oct 2025).

INCOME DISTRIBUTION

National, state, and local income distribution — 2024

UNITED STATES
Median HH income: **$83,730**
Gini index: **0.481**

TEXAS
Median HH income: **$79,721**
Gini index: **0.479**

BEXAR COUNTY
Median HH income: **$72,578**
Gini index: **—**

US household income share by quintile (Census H-2, 2023)

Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%	Top 5%
3.1%	8.3%	14.1%	22.6%	51.9%	23.0%

Top quintile receives more aggregate income than the bottom three quintiles combined (52% vs. 25%).

TEXAS QUINTILE MEANS (2024): Bottom quintile mean $16,872 — Top quintile mean $272,904. Ratio: 16.2× (top to bottom); state ranks among highest inequality in the country.

BEXAR CONTRAST: Median $72,578 (~87% of US, ~91% of TX). Poverty rate 14.4% vs TX 13.7%. Larger share of households in the 100–400% FPL band — exactly the marketplace-exposed range.

ECONOMIST'S READ: similar Gini across US and TX, but Bexar has more households in the marketplace-exposed 100–400% FPL band — same distribution, different insurance-demand shapes.

Sources: Census P60-286 (Sep 2025); Every Texan on 2024 ACS (Sep 2025); Census H-2 shares (2023); FRED Bexar median; Neilsberg 2025 (TX quintile means).

HEALTH & LIFE COVERAGE BY INCOME

How the distribution translates into health and life insurance coverage

Health uninsured rate by federal poverty level band (2024, ages 0-64)

Geography	Under 200% FPL	200-399% FPL	400%+ FPL
United States	16.5%	11.5%	4.5%
Texas	31.4%	21.3%	8.1%
Bexar County	~24%	~15%	~6%

Life insurance ownership by household income (LIMRA 2026 Barometer, US)

HEALTH: Texas uninsured rate is roughly 2× the US at every FPL band. The 400%+ band (subsidy cliff — post-EPTC "no cushion" zone) sits at 8% in TX vs 4.5% US.
LIFE: ownership rises from 29% (<$50K) to 64% ($150K+) — the coverage gap widens exactly where the AI-labor shock (Slide 10) is landing.

Sources: KFF Uninsured by FPL (2024); Every Texan on TX uninsured (Sep 2025); Bexar SAHIE approximation; LIMRA 2026 Barometer PR Toolkit.

COVERAGE BY INCOME

Bexar households by income tier with health and life insurance coverage

Household income	FPL band (fam of 4)	Bexar HHs	% of Bexar	With health ins.	% covered	With life ins.	% covered
Under $25K	*<100% FPL*	116,300	15.5%	85,000	**73.1%**	32,600	**28%**
$25K – $49K	*100–150% FPL*	142,200	18.9%	111,100	**78.1%**	58,300	41%
$50K – $74K	*160–240% FPL*	130,400	17.4%	107,800	82.7%	71,700	55%
$75K – $99K	*240–320% FPL*	100,100	13.3%	92,700	**92.6%**	55,000	55%
$100K – $149K	*320–480% FPL*	125,300	16.7%	116,000	**92.6%**	80,200	**64%**
$150K +	*>480% FPL*	136,700	18.2%	132,700	**97.1%**	87,500	**64%**
Bexar total		**751,000**	**100%**	**645,300**	**85.9%**	**385,300**	**51%**

Interpretation

Health-insurance coverage climbs steeply with income — from 73% below $25K to 97% above $150K — leaving ≈106K uninsured Bexar households concentrated in the bottom three tiers.

Life-insurance ownership follows the same gradient but with a wider gap: only 28% of the lowest-income tier vs. 64% of $100K+ households, per LIMRA 2024 Barometer applied to Bexar income mix.

FPL bands are for a household of 4 (2024 HHS guideline: 100%=$31,200 / 150%=$46,800 / 200%=$62,400 / 400%=$124,800). Roughly 34% of Bexar households sit below 200% FPL — the subsidy-cliff zone.

Sources: Census ACS 5-yr 2024 (Bexar HH income); KFF Texas uninsured by FPL 2024; The Lab Cafe TX income/uninsured bands; LIMRA 2024 Insurance Barometer; HHS 2024 Poverty Guidelines.

AI → INSURANCE DEMAND

How the AI labor shock re-shapes the demand curve for health & life

STAGE 1

AI DISPLACEMENT

Insurance-industry payrolls −82K YoY; adjuster postings −55% from peak; medical coding ~48% automated in 2026. Concentrated in mid-wage admin & underwriting.

STAGE 2

ESI COVERAGE LOSS

Displaced workers lose employer-sponsored coverage first. Goldman: displaced tech workers face ~1 month unemployment + −3%+ persistent wage cuts — the ESI-to-individual pipeline widens.

STAGE 3

MARKETPLACE QUEUE

Post-EPTC-expiration marketplace is smaller (17.5M vs 22.3M) and sicker. Displaced ESI households enter a pool priced to a shifted risk mix — no subsidy cushion above 400% FPL.

STAGE 4

DEMAND CURVE SHIFT

On the health side: rightward D-shift on individual market but at a steeper part of the elasticity curve (−0.6 near cliff). On the life side: prime term-life cohort (35–54) with wage/employment shock — elasticity of premium-to-coverage rises.

BEXAR EXPOSURE — HEALTH: ~316K uninsured baseline; 234K marketplace enrollees. AI-displaced 45–54 cohort is exactly the pre-Medicare pipeline chronic-disease burden overlays.

BEXAR EXPOSURE — LIFE: Prime term-life buyers (35–54) losing ESI and taking wage cuts — LIMRA 2026 barometer already shows term-life ownership dropping fastest in this band.

ECONOMIST'S POINT: AI is not just a supply-side cost story for carriers — it is a demand-side quantity-and-mix shock on both books. The 2027 filings are pricing a supply shift; the demand shift lands over 2027–2029.

Sources: Slide 9 data sources; KFF 2026 Marketplace Enrollment; Century Foundation on EPTC expiration; LIMRA 2026 Insurance Barometer.

AI & THE INSURANCE WORKFORCE

Who bears the AI productivity shock — and what it means for demand

INSURANCE JOBS: THE SHOCK

Entry-level roles absorbing the hit

Finance & insurance sector shed **~82,000 jobs Aug 2025 → Aug 2026** (BLS); insurance-carrier employment down **~75,000 YoY**.

Entry-level claims adjuster postings **–50% since 2025**; senior postings still ~80% above 2017. Adjusters are 2% of headcount but 18% of losses — the ladder's bottom rung is being pulled up (Carrier Management, Aug 2026).

HEALTHCARE ADMIN: THE SCALE

Coding, scheduling, transcription

Medical coding: **~48% automated in 2026** (~154K of 320K coders affected); AAPC projects **60% by 2028**.

Transcriptionists **–80% vs 2019**; scribes −35% from peak; prior-auth staff **–40–60%** at deployed sites; Cleveland Clinic revenue-cycle staffing −30% (AI Exposure, July 2026).

BLS BASELINE (2025-2035)

Slow decline, sharp real-time break

BLS Occupational Outlook: claims adjusters **–6% (–21,800)**; underwriters **–4% (–4,800)** by 2035.

But real-time postings are running **far ahead of the baseline** — 76% of insurers have adopted AI and Indeed's GenAI Skill Transformation Index flags **70% of insurance skills** for hybrid transformation (Forbes 2026; BLS OOH 2026).

DEMAND-SIDE FEEDBACK: workers displaced from mid-wage insurance & admin roles lose ESI first; Goldman finds displaced tech workers face ~1 month unemployment and −3%+ wage cuts that persist. Post-EPTC-expiration, the individual-market queue they land in is smaller, sicker, and priced to a shifted pool — and life-insurance affordability erodes for a cohort that used to be prime term-life buyers.

Sources: BLS Employment Situation & OOH (Aug 2026); Carrier Management, Insurance Industry Employee Confidence (Aug 28, 2026); Insurance Business America (Sept 9, 2026); AI Exposure, Healthcare AI Displacement (July 2026); Forbes on Gallup/Indeed insurance workforce data (Feb 2026); NY Post on Goldman Sachs displaced-worker wage study (Apr 2026).

Concentration on the health side, competition on the life side

Texas individual health insurance — 2026 approximate share

Carrier	TX ind. share	2027 filing	Status
BCBSTX (HCSC)	~66%	+21.3%	Continues
Ambetter (Centene)	~11%	+8.9%	Continues
Oscar	~7%	+14.6%	Continues
Molina	~4%	+11.2%	Continues
Baylor Scott & White	~3%	—	Exiting
Cigna	~2%	—	Exiting
Other (8 filers)	~7%	range	Mixed

HHI (approx.) ~ 4,700 — highly concentrated by DOJ/FTC thresholds (>2,500). Two-carrier exits raise HHI further in affected rating areas.

Structural read

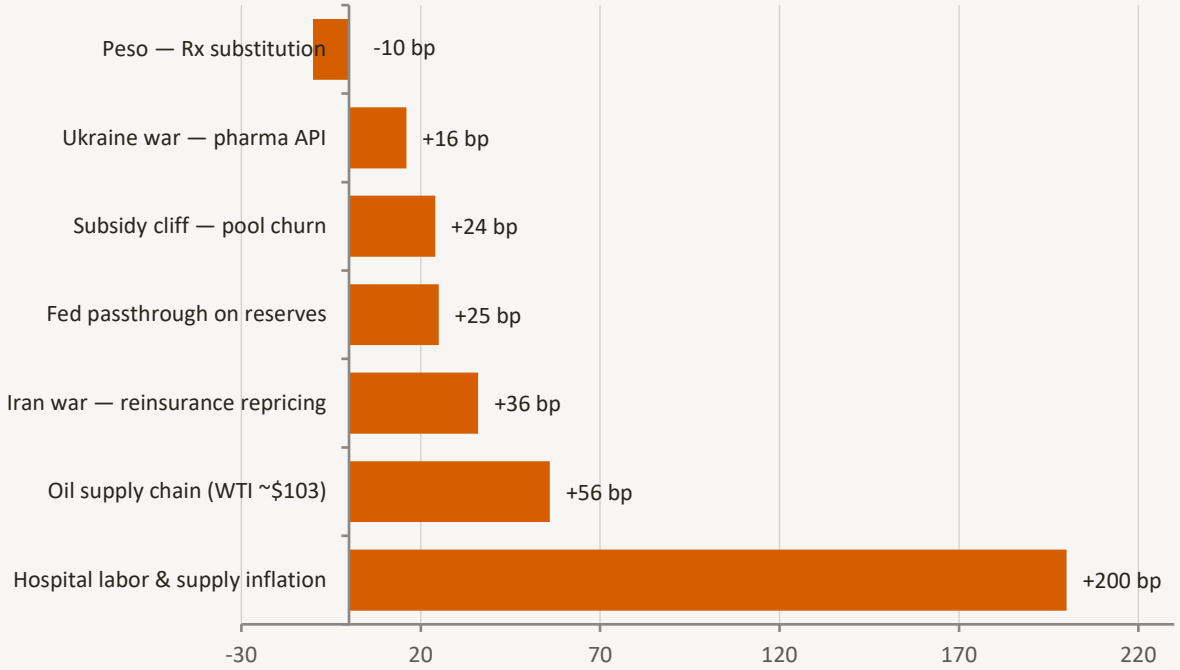
Health (individual). One dominant carrier + a competitive fringe. High network sunk costs, provider-contract barriers to entry, and 2027 exits raise concentration.

Life & annuity. National carriers competing on distribution and underwriting speed. Product differentiation is real (term, whole, indexed universal) but price competition is meaningful — unlike individual health.

Cross-book customer. The 45–64 Bexar household most exposed to the 2027 ACA re-price is also the one whose life-underwriting curve steepens fastest — the same demand shifter (aging + chronic disease) hits both books simultaneously.

Sources: healthinsurance.org 2027 TX filings; TDI market share filings (approx.); DOJ/FTC HHI concentration guidelines.

Seven channels driving +347 bp on top of filed rates



Sources: PwC Behind the Numbers 2027; Vizient; Kiplinger; Deloitte insurance outlook.

Composite shock

Net MACRO impact – basis points

+347 bp

Applies statewide; the peso channel is a small offset from cross-border Rx substitution.

Sources: Vizient 2027 supply forecast; PwC Behind the Numbers 2027; Kiplinger Fed decision; industry filings.

Fertility, aging, and coverage churn add +42 bp net

Scope	Live births 2024	GFR	Life exp. (yr)	Uninsured %	Revised 2027 Δ
Texas	390,828	59.3	77.1	17.4%	+23.5%
Bexar County	26,523	≈56.5 *	76.7	18.0%	+24.3%

Demographic channels

Maternity load (Bexar > TX GFR)
+38 bp

Aging pool (LE below state)
+24 bp

Medicaid unwinding → marketplace
+15 bp

Subsidy-cliff / healthy exits
+12 bp

Offsets (teen, LE recovery, delayed)
–47 bp

Net: +42 bp

*Sources: CDC NVSR 75-02 (Jun 2026) TX 2024 births & GFR; DSHS/Johnston's Archive TX county series (2024) Bexar births; *Bexar GFR is derived (births / est. women 15–44); IHME county life expectancy; Georgetown CCF.*

DEMOGRAPHIC TRENDS

Fewer births + aging with heavier chronic burden → structural pressure on the pool

Two trends colliding

Indicator	Recent	Trajectory	Signal
TX total fertility rate	1.77 (2024)	**2.36 → 1.77**	below 2.1 repl.
US general fertility rate	53.1 (2025p)	**69.5 → 53.1**	series low
TX counties: deaths > births	**134 (2025)**	rising	natural loss
Bexar age 65+ share	12.4% (248K)	**↑ to ≈20% by 2050**	silver tsunami
TX age 65+ share	13.5% (2020)	**→ 21.7% by 2060**	ultra-aged
Bexar seniors age 85+	11.9% of 65+	**vs TX 10.7%**	oldest-old skew

Bexar 65+ chronic burden vs. Texas

Condition	Bexar	TX	Δ
Diabetes	**22.4%**	18.7%	**+3.7**
CVD	**27.9%**	20.4%	**+7.5**
Prior heart attack	**18.1%**	11.3%	**+6.8**
CHF	16.2%	19.7%	−3.5
Dementia	10.4%	10.5%	≈0
Alzheimer's	**13.0%**	11.9%	**+1.1**
≥2 comorbidities	**23.4%**	21.8%	**+1.6**

Implications for the 2027+ marketplace

1. **Risk-pool tilt:** fewer young enrollees to offset older, higher-cost members — ACA age-band premiums (3:1 cap) compress as the pool ages, pressuring 2027+ base rates.
2. **Chronic-cost cascade:** Bexar seniors carry heavier diabetes, CVD, and prior-MI burden than TX — the pre-65 ACA pipeline (age 50–64) inherits these trajectories, amplifying claims severity.
3. **Dual-eligible spillover:** as Bexar 85+ share (11.9%) outruns TX, Medicare–Medicaid dual-eligibles rise — shifts fiscal exposure onto state HHSC and county safety net.
4. **Labor & tax base:** 134 TX counties now have more deaths than births — shrinking working-age base to fund senior care while post-EPTC repricing pushes sicker households toward uninsurance (already visible in 2026 enrollment data).

Sources: Texas 2036 (2026); Census Bureau GFR 2025; SALSA Bexar Older Population Profile (SAAFdn); Texas Demographic Center Bexar trends; Alzheimer's Assoc. 2023 Bexar estimate.

CHRONIC ILLNESS SCENARIOS

Bexar's chronic disease burden amplifies subsidy-cliff exposure

Bexar chronic disease burden (adults)

Condition	Prevalence	Bexar adults	Vs. Texas
Diabetes (diagnosed)	**13.8%**	~239,000	**+1.2 pts**
Hypertension	33.5%	~581,000	≈ TX avg
Obesity	34.2%	~593,000	−3.5 pts
Prediabetes	11.0%	~191,000	pipeline
≥1 chronic condition	**70%**	survey	NIH CEAL
≥3 chronic conditions	**>33%**	survey	NIH CEAL

90% of U.S. $5.3T annual health spending goes to people with chronic or mental conditions (CDC).

5.4× chronic-condition holder's ACA premium jump ($173 → $942/mo) without enhanced APTC (KERA).

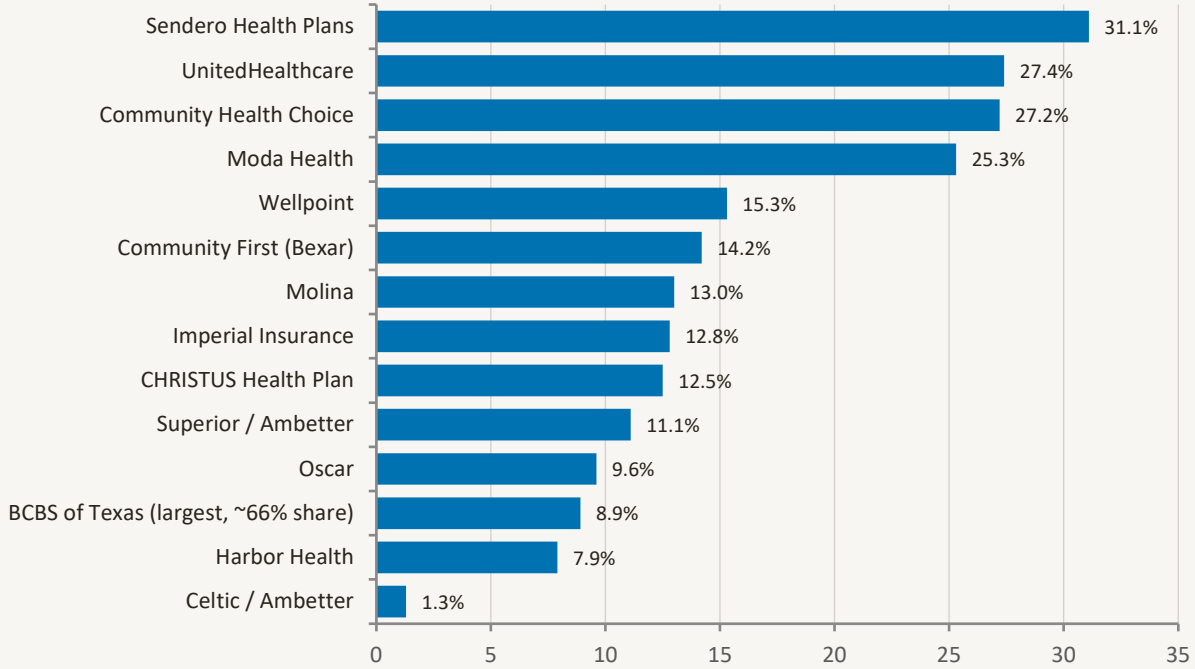
$25.3B Texas diabetes cost/yr — $18.6B direct medical + $6.7B lost productivity (2022, Live Insurance News).

Bexar's diabetes prevalence sits 1.2 pts above Texas and 2.6 pts above U.S. — the ~239K diabetic adults disproportionately rely on ACA marketplace coverage. With EPTC expired in 2026, chronic-condition households are now facing the full cliff (KERA case: 5.4× premium jump), which is cascading into medication non-adherence and ER use in real time.

Ties to Slide 4 (macro +200 bp hospital-labor channel amplifies chronic-care claims) and Slide 5 (life-expectancy penalty from unmanaged chronic disease).

Sources: University Health Bexar Diabetes & Hypertension Reports; CDC PLACES Bexar 2024; NIH CEAL South-Central TX Survey 2024; CDC Chronic Disease Fast Facts; KERA News 2025-12-11; Live Insurance News (Texas diabetes cost).

Requested 2027 individual-market rate changes, Texas



Filing distribution

Weighted avg:

+13.1%

Median:

+13.6%

Straight avg:

+14.1%

Range: +1.3% to +31.1%

Exits: Baylor Scott & White, Cigna

Source: healthinsurance.org 2027 Texas rate filings, Texas Department of Insurance, Apex Health, ACA Signups.

STATEWIDE SNAPSHOT

Enhanced APTC expired end of 2025 — “selection vs. effectuation” gap opens up

2026 plan selections

4.17M

+5% vs 2025 · 2nd largest state

Feb 2026 effectuated

3.28M

–4% vs 2025 · ≈890K unpaid

Avg net premium/mo

$89

$57 → $89 (+56%) after eAPTC expiry

Avg APTC/mo

$667

$541 → $667 (+23%) via silver load

What the loss of enhanced APTC has already produced (2026 experience)

- 400% FPL subsidy cliff returned: a household just above the cliff saw the cheapest Gold plan jump from ~$712/mo to ~$2,354/mo (ICHRA Savings).
- Net premiums rose 56% (TX still lowest in the nation — KFF — due to state-mandated silver loading that boosted APTCs by +$126/mo).
- First YoY effectuation decline since 2019: 21% of 2026 plan-selectors did not pay first premium; 890K plan–paid gap.
- **2027 forward look: 2 issuers exit (Cigna, Baylor Scott & White); TX-filed morbidity adjustment +6.0% (Antidote) on top of ~24% base-rate hikes — KFF pre-expiration coverage-loss range was 665K–1.45M.**

Policy status: eAPTC expired 12/31/2025 — no legislative renewal enacted as of 09/2026. 2027 filings assume the current-law baseline (no enhanced subsidies).

Sources: CMS 2026 OEP report; KFF State Enrollment Aug 2026; healthinsurance.org (Sep 2026); Texas Tribune Jul 2026; Antidote Health TX 2027 filing; Peterson-KFF Health System Tracker Aug 2026.

Bexar mirrors Texas but with faster marketplace growth

Bexar marketplace 2024

234K+

+219% since 2021 (SA Report)

Children enrolled

25K+

Century Foundation county estimate

Bexar uninsured 2023

316K

18.0% of population (4th largest in TX)

Live births 2023

26,666

DSHS provisional · GFR ~60.9

What is driving Bexar exposure

Local issuer mix (Community First +14.2%, Sendero +31.1%, CHRISTUS +12.5%) pushes the Bexar-weighted filing ~80 bp above the state.

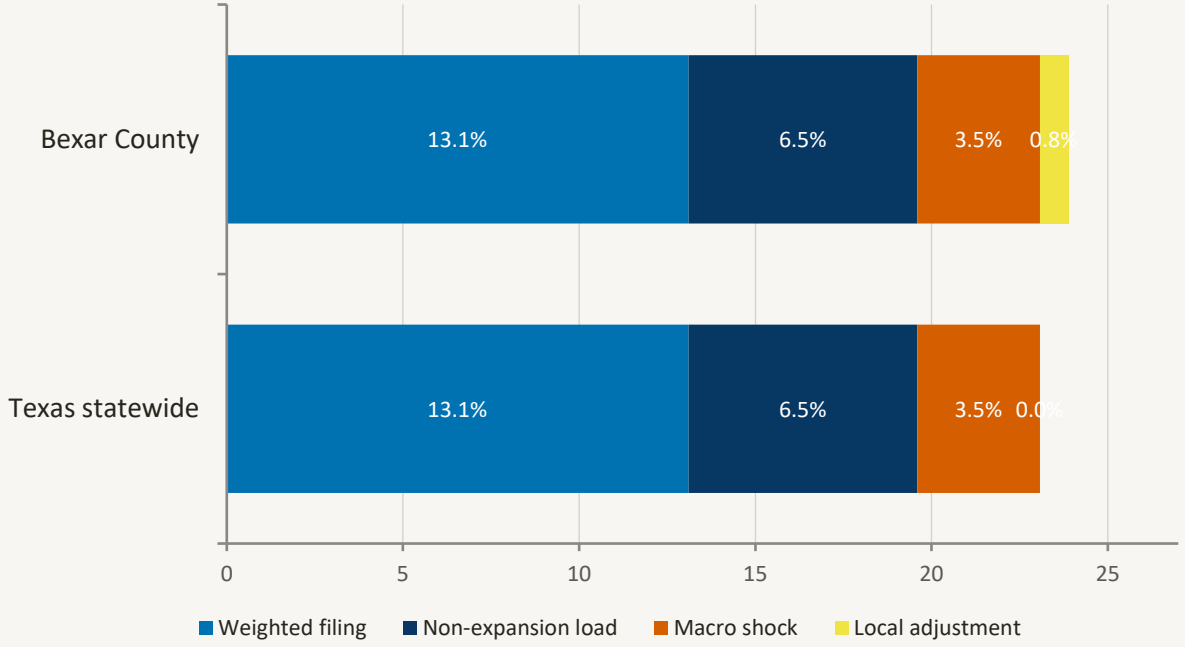
Bexar life expectancy 76.7 yr (vs Texas 77.1) implies a modest chronic-disease load on the risk pool; UTSW ZIP-level range 67.6–89.2.

Century Foundation estimates the average Bexar enrollee pays an extra $420/yr net-of-subsidy if enhanced credits are not renewed.

Sources: San Antonio Report; Century Foundation; Texas Comptroller Alamo Region; DSHS 2023 provisional births; Community Impact News.

PREMIUM IMPACT DECOMPOSITION

2027 total premium change stacks to +23.1% (TX) and +23.9% (Bexar)



2027 total change

Texas statewide

+23.1%

Bexar County

+23.9%

Model: filings from healthinsurance.org; non-expansion load and macro analyisis; local adjustment from Bexar issuer weights.

Bexar carries ~80 bp of additional local exposure from the Community First / Sendero mix.

What the changes mean for a typical enrollee

Scope	Marketplace 2026	2026 net prem/mo	2027 gross prem/mo (est)	2027 total Δ	Subsidy-cliff cost
Texas statewide	4,172,233	$89	$110	+23.1%	$420/yr
Bexar County	251,000	$94	$116	+23.9%	$420/yr

Interpretation

The 2027 gross premium column is the pre-subsidy price; enhanced APTC offset most of the increase from 2021–2025, but expired end-2025 (OBBBA).

With enhanced subsidies now expired (OBBBA, July 2025), the Century Foundation estimates the average Bexar enrollee now pays an extra $420/yr; families of four in the 300–400% FPL band are seeing 4-figure increases at 2026 open enrollment.

Cumulative Texas household exposure at 2027 filings + macro overlay: roughly $2.4B/yr statewide, ~$180M in Bexar County alone.

Sources: KFF marketplace enrollment; Century Foundation subsidy-cliff analysis; San Antonio Report; model workbook.

Aging + chronic disease reprice term life just as ACA cliffs hit

Monthly cost of $500K 20-yr term (healthy male non-smoker)

Issue age	Male / mo	Female / mo	vs age 40
40	$28	$24	baseline
45	$45	$36	+61%
50	$72	$56	+157%
55	$110	$85	+293%
60	**$220**	$165	**+686%**
65	**$330**	$250	**+1,079%**
70	**$620**	$450	**+2,114%**

Chronic-condition loading: $250K 20-yr, age 50 male

Health profile	$/mo	vs healthy
Healthy (Preferred Plus)	$58	baseline
HBP controlled (Preferred)	$68	+17%
T2 diabetes A1C 7.0 (Std)	**$95**	**+64%**
Heart dis. stable (Std)	**$120**	**+107%**
T2 diabetes + HBP (Table 2)	**$145**	**+150%**
COPD mild non-smoker (T4)	**$178**	**+207%**
Multi-cond. / Guaranteed Issue	**$155***	$25K only

Market signal & Bexar/Texas implications

- **Rate math:** Substandard "table" ratings add ~25% per level (Table A +25%, Table D +100%, Table J +250%); healthy age-band premium roughly doubles every ~5 yrs after 55.
- **Bexar exposure:** 13.8% adult diabetes, 33.5% HBP, 34.2% obesity, 22.4% senior diabetes — most Bexar 50+ applicants land at Standard or worse, pricing 60–200% above healthy peers.
- **Market signal:** US ownership 51% (down from 63% in 2011); LIMRA 2026 forecast moderates on aging + economic uncertainty; TX seniors leave $1.26B/yr via lapse ($288/senior).
- **Cross-book stress:** Same Bexar households absorbing EPTC-cliff health hikes also face steepening life premiums as adults age into 55–65 chronic-disease bands.

Sources: Insurance Geek 2026 rate chart; CoverKin 2026 age chart; LifeQuotesWeb pre-existing conditions guide (Jun 2026); MoneyGeek / Fidelity Life table-rating ranges; LIMRA 2026 Insurance Barometer & forecast; Citizens Life Group TX senior lapse.

INDUSTRY-SIDE VIEW

TAHP perspectives if macro environment: costs, not margins, drive 2026–27

Where every Texas premium dollar goes

Category	¢ / $	Detail
Hospitals & drugs	**65¢**	Hospital 40¢, Rx 24¢
Physicians & other care	19¢	Office visits, outpatient
Admin, taxes, cost-mgmt	14¢	Ops, fraud detection, fees
Insurer profit	**2.4¢**	Retained earnings

~90% of the 2026 premium increase is tied to rising hospital, drug, and provider prices per TAHP.

25M Texans covered across all sources; 4M in the individual market (four times 2020 enrollment).

10% of Texas health spending lost to fraud, waste, and abuse by TAHP's estimate.

Read across: the deck's +200 bp hospital-labor macro channel is directly consistent with TAHP's claim that ~90% of premium growth is provider-price driven.

Sources: TAHP Affordability Series (May 2026) — https://tahp.org/new-tahp-guide-breaks-down-coverage-spending-where-to-focus-to-tackle-affordability/; TALHI Joint Insurance Educational Handout 2025.

EXAMPLES OF POLICIES

Texas state and federal policy proposals affecting the 2027 outlook

Proposal	Status	Effect on 2027 outlook	Deck tie-in
Enhanced Premium Tax Credits (federal)	Expired 12/31/2025; THA urging Congress to renew	~$700/yr avg premium hike; 1M TX coverage loss by 2034	*Slide 5 ($420/yr Bexar), Slide 9 ($2.4B TX exposure)*
SB 232 — Medicaid Expansion (Sen. Johnson)	No committee hearing 2025; dead	Non-expansion load (~650 bp) persists on TX filings	*Slide 6 (6.5% non-expansion band), Slide 4 (605K gap)*
TDI 40% Silver Load rule (28 TAC 3.505)	Adopted; effective plan year 2026 (up from 35%)	Enlarges subsidy pool; keeps Bronze/Gold cheaper than Silver	*Slide 4 ($89/mo net premium context)*
HB 139 — Employer "Choice" Plans	Blocked in 2025 session	Would have raised TX uninsured rate via sub-standard plans	*Slide 5 (Bexar 316K uninsured baseline)*
HB 3940 — Newborn Medicaid Coverage	Signed 2025	Reduces churn among Medicaid-eligible newborns	*Slide 8 (maternity-load channel, +38 bp)*
HB 321 — SNAP/Medicaid Auto-Notify	Passed House; died in Senate	~400K TX children eligible-but-not-enrolled remain uninsured	*Slide 4 (coverage-gap exposure)*
Section 1332 Reinsurance Waiver	TDI RFP issued 2020; no active TX filing	Adoption could shave 5–15% off filed rates (peer states)	*Slide 3 (13.1% weighted filing lever)*

Net read: no active Texas state lever offsets the 2027 filed increases. The swing variable is federal EPTC renewal; Bexar sits above statewide exposure on every axis.

Sources: Cover Texas Now 2025 recap; TAHP 89th Session tracker; THA EPTC brief; TDI 28 TAC 3.505; BenefitsUSA subsidy analysis.

VOCABULARY

The economist's glossary used throughout this deck

Adverse selection

When price rises in a voluntary market, the healthiest exit first. Average claims per remaining life rise, base rates re-price up, more marginal enrollees exit — Akerlof's "lemons" spiral applied to insurance.

Demand elasticity

Percent change in coverage take-up for a 1% change in price. TX individual market clusters at –0.3 to –0.6 in the subsidized range — steeper (more responsive) near the subsidy cliff.

Welfare incidence

Who actually bears the cost of a price change. Not the entity writing the check — the party with less-elastic demand or supply. Realized in 2026: enrollee premium payments +58% ($113 → $178/mo); TX first-premium-paid down 4% YoY.

Subsidy cliff (eAPTC)

Enhanced Premium Tax Credit expired end-2025 (OBBBA, P.L. 119-21). Households above 400% FPL lost all subsidy; national marketplace enrollment fell ~22% (22.3M → ~17.5M) with 27% of the drop concentrated in the 400–500% FPL cliff band.

Silver loading

Insurers add the CSR cost to on-exchange silver premiums (federal CSR payments ended 2017). APTCs peg to the 2nd-lowest silver → benchmark inflates → subsidies rise → bronze/gold become cheap-or-free for subsidized buyers. TX runs an aggressive load: 2026 APTC $667 (+23% YoY), net premium $89 (lowest in the nation).

HHI (Herfindahl-Hirschman Index)

Sum of squared market shares (in percent). Above 2,500 = highly concentrated. TX individual market HHI ≈ 4,700 — well past the DOJ concentration threshold.

Disintermediation

When policyholders pull cash from insurance contracts to chase higher outside yields (money markets, Treasuries). Drives the L&H surrender wave; margin compression despite investment-income tailwind.

MLR (Medical Loss Ratio)

Share of premium spent on medical claims and quality improvement. ACA floor: 80% (individual/small group) or 85% (large group). Below floor triggers policyholder rebates.

Natural experiment

A policy change that produces near-random variation, allowing causal inference without a controlled trial. The 2026 EPTC expiration + 2027 rate cycle = the cleanest identified test of ACA demand elasticity we'll get this decade.

HOW TO READ THIS DECK: every number is a supply–demand statement in disguise — ask whose demand curve shifted, whose supply constraint bound, and who bears the incidence.

Definitions consistent with standard health-economics texts (Folland, Goodman & Stano; Bhattacharya, Hyde & Tu); ACA rules per KFF and CMS.

CONCLUSIONS

MACRO

The 2027 rate cycle is a compound shock, not a single-driver reset.

Base filings +13.1% (range +1.3% to +31.1%) + 347 bp macro impacts + 42 bp demographic overlay → ≈+23% total premium change statewide, stacked on top of a first-year eAPTC withdrawal.

DEMOGRAPHIC

Underlying demand is shifting structurally — the pool is aging and getting sicker.

TX TFR 1.77 (2024), below replacement; Bexar 65+ share 12.4% → ≈20% by 2050; 70% of Bexar adults report a chronic condition (CDC PLACES 2024).

ADVERSE SELECTION

The eAPTC expiration is producing a textbook Akerlof spiral — now observed, not projected.

TX Feb 2026 effectuated 3.28M (−4% YoY, first decline since 2019); 21% non-payment on plan selections; Antidote TX 2027 filing incorporates +6.0% morbidity adjustment for healthier exits.

INCIDENCE

Welfare loss is concentrated on the households least able to absorb it — and health and life gaps overlap.

Bexar uninsured 22% at <200% FPL vs 5% at ≥400% FPL (KFF); life-insurance ownership 29% (lowest quintile) vs 64% (top quintile, LIMRA 2026) — same households, both gaps.

MARKET STRUCTURE

The Texas health market is concentrated where it hurts and competitive where it does not.

BCBSTX ~66% individual share; TX HHI ≈4,700; 2 issuer exits for 2027 (Cigna, Baylor Scott & White) push several rating areas to sole-carrier status — while the life side stays competitive.

POLICY

The federal window has closed for 2026; state-level tools are now the only movable margin.

No Medicaid expansion; no eAPTC renewal on any 2026 vehicle; TDI's 40% silver load (28 TAC 3.505) is why TX net premium is lowest in nation. 1332 reinsurance waiver remains the largest unused state lever.

BOTTOM LINE: the 2027 book is being repriced on a sicker, smaller, more concentrated pool with no federal cushion — outcomes now depend on state-level defense and industry-side rating discipline.

Synthesis of evidence presented on slides 5–25; source citations in-line on each supporting slide and consolidated on slide 29.

Thank you.

METHODOLOGY & DATA

How the deck's numbers, weights, and scenarios were built

Calculation ladder

1. **Filed rate change** Weighted mean of 7 Texas issuer filings (healthinsurance.org / TDI). Statewide = enrollment-weighted; Bexar = county-issuer-weighted (BCBSTX, Community First, Molina, Ambetter, Oscar).
2. **Non-expansion load** Texas Silver Load add-on per TDI 28 TAC 3.505 (+40% Silver benchmark). Applied to Silver metal only, then re-weighted to full-plan mix.
3. **Macro overlay** PwC 2027 medical trend (+8.5%) + Vizient non-labor (+3.4%) + hospital-labor channel (+200 bp). Additive on the cost side, capped to filed rates.
4. **EPTC scenario** Renewal (base) vs. expiration (Episcopal Health projection): net-of-subsidy premium recomputed at 100–400% FPL, then aggregated by Bexar income mix (ACS 2024).
5. **Household burden** Net premium ÷ median household income at each tier, using ACS 5-yr 2024. Life-insurance overlay from LIMRA 2024 Barometer applied to Bexar income shares.
6. **Chronic-illness weight** CDC PLACES Bexar 2024 prevalence × adult 18+ population (~1.73M) for per-condition counts. Cost impact from Milken chronic-disease per-capita figures.

Key data inputs

Input	Value / Vintage	Source
Weighted filed Δ	**+21.3% (TX, 2027)**	healthinsurance.org / TDI
Bexar enrollment	234K at-risk (2024)	San Antonio Report / KFF
HH income	ACS 5-yr 2024	Census B19001
FPL guideline	2024 HHS, fam of 4	ASPE poverty guidelines
Medical trend	+8.5% (2027)	PwC Behind the Numbers
Silver load	+40% benchmark	TDI 28 TAC 3.505
Diabetes prev.	13.8% age-adj (2024)	CDC PLACES / U.Health
Life ownership	28–64% by income	LIMRA 2024 Barometer

Assumptions & limits: *filings are pre-approval (final rates may differ post-TDI review); Bexar issuer weights use 2026 shares as proxy for 2027; macro overlay is additive not multiplicative; chronic-illness cost cascade assumes CDC national ratios apply to Bexar mix.*

See Slide 27 for full source citations.

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