

LEGISLATOR'S GUIDE TO THE ISSUES 2021-2022

Medical Cost Sharing

The Issue

Medical cost-sharing organizations are an alternative to insurance for healthcare cost coverage. Instead of having access to a network of healthcare providers whose rates have been negotiated by insurance companies, cost-sharing organizations' members pay cash prices to medical providers. The medical cost-sharing organization facilitates sharing of medical costs among members, who pay a monthly amount that is shared to cover healthcare costs of other members. Generally, members will pay the majority of smaller costs out of pocket, and larger costs will be submitted for sharing. The members retain ultimate responsibility for paying their medical fees, because the organization is not contractually obligated to cover specific costs like an insurance company would be and does not always cover as much as traditional insurance.

Because medical cost-sharing organizations do not have to cover ACA-mandated healthcare costs, they usually have more restrictions on what they will cover. This allows monthly payments to be lower than premiums for traditional health insurance.

Medical cost sharing is very similar to healthcare sharing ministries (HCSMs) in that they are both non-insurance options that facilitate sharing of medical costs among members. The difference is that HCSMs are founded on a religious principle and usually have a statement of faith with which members must agree. This means they are marketed to a smaller audience than are medical cost-sharing organizations.

Medical cost sharing could be beneficial to consumers who are not religious or do not wish to sign the statement of faith but still are interested in a lower-cost alternative to traditional insurance. As such, it could serve a more diverse group of people than HCSMs. It could also be useful for businesses seeking to provide healthcare coverage for their employees, especially smaller businesses that have difficulty financing traditional health insurance.

HCSMs are specifically exempted from insurance regulations under Texas state law, in accordance with the Affordable Care Act, and for this reason are not regulated as an insurance company. Medical cost sharing would not be able to have the same religious exemption as HCSMs since they are not religious in nature. However, they should be able to be exempted from insurance regulations since they function similarly to HCSMs and do not assume liability.

The Facts

- Texas has already defined HSCMs as not being insurance.
- Medical cost-sharing organizations function very similarly to HSCMs, the difference between the two being the lack of a religious element in medical cost sharing.
- Medical cost sharing provides a less expensive insurance alternative from which small businesses, contract workers, and the unemployed could benefit. By not having a religious component, they are more accessible for businesses than HCSMs.

Recommendations

- Define medical cost sharing as a non-insurance alternative.
- Exempt medical cost sharing from insurance regulatory law.

Resources

[“About Us: Data and Statistics,”](#) Alliance of Health Care Sharing Ministries (Accessed July 13, 2020).

[“Health Insurance Alternatives: Medical Cost Sharing,”](#) E-health Insurance (March 19, 2018).

[Thinking Outside the Box on Health Care](#) by Katie Fisher, Texas Public Policy Foundation (Sept. 2017).

[“Healthshare Plans,”](#) HSA for America (Accessed July 13, 2020).

[“Medical Sharing Plans”](#) (Accessed July 13, 2020).