TEXAS DEPARTMENT OF INSURANCE

Three-Share Premium Assistance Programs

Report on Rider 14, Title VIII, 85th Legislature, Regular Session, 2017

Submitted December 2016

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EXECUTIVE SUMMARY

In each of the last five legislative sessions, the Texas Legislature has provided grant funding for the development and operation of local government sponsored employer health care programs. These programs, known as three-share premium assistance programs, aim to lower the cost of providing health care coverage for lower income employees of small businesses with 50 or fewer employees in the state, sharing in the cost of coverage typically borne by the employer and employee alone. The programs use state funds for the administration of the programs and for the third share of premiums. The Legislature directed the Texas Department of Insurance (TDI) to administer these grants. The three-share premium assistance programs also received grant funds from the Texas Health and Human Services Commission (HHSC) from 2010 to 2012.

Table 1: Total State Administered Grant Funds*

Three-Share Grant Period	Total Grants
2008-2009 Biennium	$624,638
2010-2011 Biennium	$3,212,039
2012-2013 Biennium	$1,358,289
2014-2015 Biennium	$1,989,381
2016-2017 Biennium**	$2,007,069
Total	**$9,191,416**

* Includes TDI and HHSC administered grant funds
** Amount paid through October 31, 2016

This report is intended to fulfill the statutory requirement for TDI to provide the Legislative Budget Board and the Governor a summary of the grants awarded.[1] The report will provide:

- an overview of all funding provided to date,
- an update on grants awarded in the current biennium,
- a summary of program changes associated with federal reforms in the health insurance marketplace, and
- a description of the current oversight process.

BACKGROUND

Since 2008, TDI has used a competitive application process to award grants funded by General Revenue and fines, penalties, and sanctions (fines) collected by TDI. While legislative funding has remained consistent over time, funding based on fines has sometimes varied depending on annual collections. In the current biennium, up to $1.5 million in grant funds per year comes from fines collected from entities regulated by TDI, except for fines related to workers' compensation insurance.[2] In prior biennia, funding based on fines was restricted to fines TDI collected from health insurers. In fiscal years 2016 and 2017, fines from all regulated entities have generated the full $1.5 million per year allowed. Table 1 shows the total amount of grant funds administered by TDI in each biennium through October 31, 2016.

Initially, six regions of the state sought to implement programs; however, three programs have closed since FY 2008. One program had to suspend enrollment for a period in 2013, terminating existing members while it re-evaluated its model of operation. The remaining programs have struggled to secure matching local funds when faced with the previously inconsistent fine-based state funding mentioned above.

In light of changes in the health insurance marketplace under the Patient Protection and Affordable Care Act (PPACA), two of the three currently operating three-share programs changed their models to facilitate the purchase of individual commercial coverage by employees rather than providing coverage directly and bearing the risk for claims. One of these programs is ceasing operations as of December 31, 2016, because it was unable to generate enough participation from

[1] Rider 14, page VIII-22, Chapter 1411 (SB 1), Acts of the 83rd Legislature, Regular Session, 2013 (the General Appropriations Act).
[2] Rider 14(b), page VIII-22, Chapter 1411 (SB 1), Acts of the 83rd Legislature, Regular Session, 2013 (the General Appropriations Act).

employers in its region. The third program is seeking to maintain current enrollment as it continues to evaluate the effects of the PPACA.

OVERVIEW

Health and Safety Code Chapter 75, enacted as Senate Bill 10 by the 80th Texas Legislature, permits county commissioners courts to create health care programs for employers, including three-share programs, exempt from regulation under the Insurance Code. According to statute, the purpose of these programs is to:

- improve the health of employees of small employers in Texas by improving access to health care and insurance,
- reduce the reliance on state-funded programs like Medicaid,
- improve the economic conditions of small employers by improving the health of employees and providing health care benefits to aid in attracting employees, and
- encourage innovation in the funding and provision of health care services.[3]

Chapter 75 programs must actively seek funding from a variety of sources, including grants, donations, or gifts to fund services and reduce costs for participating employees and employers.[4] In conjunction with SB 10, the 80th Legislature included an appropriation in Article VIII of the General Appropriations Act, directing TDI to administer grants to aid in the initial development of these three-share premium assistance programs.[5] In each biennium since, the Legislature has continued funding the development and operation of the three-share programs.

SUMMARY OF GRANT AWARDS

TDI conducted a competitive application process to award grant funds in each biennium as directed by the Legislature. The number and nature of the three-share premium assistance programs has continued to evolve since the initial grant cycle in the 2008-2009 biennium. Programs moved from applying for grant funds jointly as a coalition to applying independently. As TDI learned from its grant management experience, the agency adjusted grant procedures to strengthen reporting requirements, ensure better financial management from grantees, and enhance compliance.

Grantee Selection Process

For each grant cycle, TDI developed a Request for Grant Applications (RFA) to solicit qualified applicants. The RFA incorporated four areas the Legislature directed TDI to consider in selecting grantees, which are:

- proposals to match grant awards with local funds,
- percentage of uninsured in the applicable area,
- existing efforts in pursing ‘three-share’ premium assistance programs, and
- health care and delivery factors affecting the area’s health care infrastructure and capacity.[6]

An evaluation team comprised of subject matter experts from several TDI divisions evaluated applications against criteria described in the RFA, including the four areas above.

[3] Health and Safety Code, Chapter 75, Section 75.001 (1-4).
[4] Health and Safety Code, Chapter 75, Section 75.055.
[5] Rider 18, page VIII-33, Chapter 1428 (HB 1), Acts of the 80th Legislature, Regular Session, 2007 (the General Appropriations Act).
[6] Ibid.

Summary of Historical Grant Funding

Since TDI began providing grants to three-share premium assistance programs in the 2008-2009 biennium, TDI has paid more than $7.9 million in grants to all programs combined. HHSC also provided an additional $1.27 million from a federal State Health Access Program (SHAP) grant. Grantees directed funds from both grants toward third-share premium assistance and for program administration. Table 2 shows the distribution of grant funds paid to each grantee through October 31, 2016.

Table 2: Total Spending in Three-Share Premium Assistance Grants

Three-Share Premium Assistance Program	FY 2008-2009*	FY 2010-2011*	FY 2012-2013	FY 2014-2015	FY 2016-2017**	HHSC SHAP	TOTAL
Central Texas	$147,500	$887,548	$327,751	$1,130,906	$1,318,550	$829,777	**$4,642,032**
Harris County	$147,500	$448,866	$51,643	$387,275	$119,960	$288,059	**$1,443,303**
El Paso	$186,685	$197,281	Closed	Closed	Closed	N/A	**$383,966**
North Texas	$142,953	$341,745	Closed	Closed	Closed	$12,900	**$497,598**
Brazos Valley	N/A	$285,271	$99,502	Closed	Closed	$138,053	**$522,826**
UTMB Multi-Share Plan	N/A	$387,072	$274,860	$471,200	$568,559	N/A	**$1,701,691**
Total	**$624,638**	**$2,547,783**	**$753,756**	**$1,989,381**	**$2,007,069**	**$1,268,789**	**$9,191,416**

*El Paso refunded $30,815 in unused funds from 2009. North Texas refunded $4,547 from 2009 and $8,716 in 2011.

**Paid through October 31, 2016.

In the 2008-2009 biennium, the 80th Legislature appropriated $300,000 in 2008 and $450,000 in 2009 for grants and costs associated with TDI's administration. In 2009, programs representing El Paso County, Dallas County, Harris County, and the Central Texas region formed the Texas Communities Healthcare Coalition to apply jointly for the grant. See Table 3. The Coalition formed four three-share premium assistance programs, TexHealth El Paso (El Paso), TexHealth North Texas (North Texas), TexHealth Harris County (Harris County), and TexHealth Central Texas (Central Texas).

During the next session, the 81st Legislature appropriated $450,000 in each fiscal year and added up to $1.5 million in each fiscal year from health insurance fines to the three-share premium assistance grants and TDI's administration.[7] The total amount of available funds depended upon the amount of fines TDI collected in each fiscal year. TDI collected from health insurers the full $1.5 million in FY 2010, but only $266,500 in FY 2011.

By September 2010, five of the six programs were enrolling small businesses in the program. However, during FY 2011, North Texas and El Paso ceased operations.

The 82nd Legislature continued funding the three-share premium with $422,375 in each fiscal year from General Revenue, and up to $1.5 million in each fiscal year from fines.[8] The four remaining programs again applied jointly. In 2012, TexHealth Brazos Valley (Brazos Valley) ended operations, due in part to the end of federal grant funding and the lack of state fine-based grant funds.

Central Texas received limited funding from the Travis County Hospital District (dba Central Health) and several counties in their service area, but had to terminate enrollment for 251 employers with 864 employees in June

Table 3: FY 2010-2011 Participating Programs

Program Name	Counties Served
El Paso	El Paso
North Texas	Dallas
Harris County	Harris
UTMB Three-Share Plan	Galveston
Central Texas	Burnet, Hays, Travis, and Williamson
Brazos Valley	Brazos, Burleson, Grimes, Leon, Madison, Robertson, and Washington

[7] Rider 15, page VIII-23 and Section 17.08, page IX-69, Chapter 1424 (SB 1), Acts of the 81st Legislature, Regular Session, 2009 (the General Appropriations Act).

[8] Rider 15, page VIII-23, Chapter 1355 (HB 1), Acts of the 82nd Legislature, Regular Session, 2011 (the General Appropriations Act).

2013 after exhausting all grant funds from TDI and Central Health. TDI freed some additional funds from allocated administrative expenses in 2013, so the appropriated General Revenue funds available were $386,381 for the three programs in operation. Figure 1 provides a general time line of TDI's grant awards to date.

Figure 1: Time Line of Grant Awards

The 83rd Legislature appropriated $443,714 from General Revenue for grants and TDI's administration costs during each fiscal year of the 2014-2015 biennium and up to $1.5 million from fines. In this new appropriation, the Legislature adjusted the source of the fines to apply those collected from all entities regulated by TDI, except for workers' compensation, rather than just health insurers.[9]

In FY 2014, the new rider language resulted in the full $1.5 million per year being available for these grants.

2016-2017 Grant Period

The 84th Legislature again appropriated $443,714 during each fiscal year of the 2016-2017 biennium and up to $1.5 million from fines for each fiscal year. In addition, the appropriation rider allowed TDI to carry forward $1,783,980 of unspent fines from the previous biennium.

In FY 2016, TDI collected the full $1.5 million in fines allotted by March 2016, and in FY 2017, TDI collected the full $1.5 million by November 2016. Table 4 shows available grant funding in each fiscal year as collected through November 30, 2016.

Table 4: 2016-2017 Available Grant Funds

Funding Source	Fiscal year	Amount
General Revenue	2016	$386,381*
Fines	2016	$1,500,000
Total 2016 Funds		**$1,886,381**
General Revenue	2017	$386,381*
Fines	2017	$1,500,000**
Total 2017 Funds		**$1,886,381**

*Amount available after TDI administration.
**Collected through November 30, 2016.

Grant Application Considerations

For the 2016-2017 grant period, TDI conducted a competitive application process described earlier in this report. TDI considered the strength of grant proposals and total funding requests, projected enrollment, proportion of request for premium assistance versus administrative expenses, and applicants' access to local matching funds.

Three programs applied, Central Texas, Harris County, and UTMB. In the previous biennium, UTMB and Harris County used grant funding for third-share premium assistance only, but for this biennium both requested some funds for administrative expenses in addition to third-share premium assistance. Harris County requested about $145,896 for

[9] Rider 14, page VIII-22, Chapter 1411 (SB 1), Acts of the 83rd Legislature, Regular Session, 2013 (the General Appropriations Act).

marketing and outreach research on how to generate more participation in the program. UTMB requested about $154,170 in grant funds for administrative expenses so the program would not have to raise premiums to cover growing operational costs.

UTMB projected stable enrollment in FY 2016 and slight growth in FY 2017, and an increase in the per member subsidy amount from $150 in FY 2016 to $175 in FY 2017. Harris County projected significant growth in FY 2016 and FY 2017, from 108 covered lives in September 2015 to 600 covered lives by August 2017. Harris County requested up to $75 per member, per month for third-share premium assistances; however, actual subsidy amounts may be less depending on the member's income and total premium cost. TDI approved a grant budget for UTMB of $523,350 for FY 2016 and $689,220 for FY 2017 and a grant budget for Harris County of $378,550 for FY 2016 and $495,300 for FY 2017, which was the entire amount requested by each program. The total amount of the grant award would be subject to subsidy-eligible enrollment.

The third program, Central Texas, proposed 37 percent of their grant budget for administration in addition to a third-share subsidy of not more than $120 per member, per month. The subsidy amount may be less depending upon the total group premium. The program projected 8.3 percent of its administrative budget and none of the three-share premium assistance would come from local matching funds. TDI approved the full requested grant budget of $1,213,393 for FY 2016 and $1,675,007 for FY 2017, with third-share subsidy funds subject to enrollment and available grant funds. Central Texas projected significant growth during each year of the biennium.

Table 5 shows actual grant spending by each program through October 2016.

Table 5: FY 2016-2017 Grant Spending

Program	Spending to date*
Central Texas	$1,318,550
UTMB Multi-Share Plan	$568,559
Harris County	$119,960
TOTAL	**$2,007,069**

*Total through September 2016 invoices

Participating Programs

Chapter 75 gives three-share premium assistance programs allowance for a variety of governance structures, including joint government councils and nonprofit organizations. Programs have flexibility in how benefits are structured, including providing coverage with a self-funded benefit package, collaborating with health care facilities to provide services to members, and facilitating the purchase of commercial insurance plans for employees of member small businesses. Chapter 75 provides broad authority to three-share premium assistance programs to develop eligibility criteria if the employer shares in the premiums or other costs of coverage. As a result, no two programs are alike.

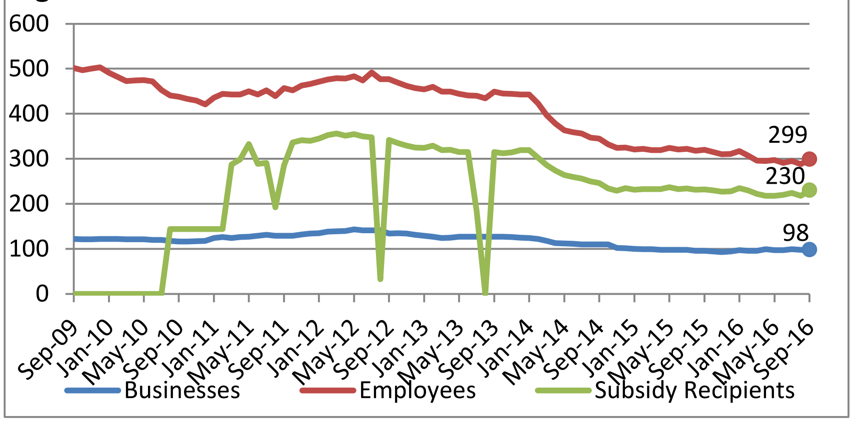
The University of Texas Medical Branch Multi-Share Plan

Among the three grantees in the FY 2016-2017 grant cycle, the UTMB Multi-Share Plan is the longest running. It began as a pilot program in 2008, prior to TDI awarding the first state grants for the development of three-share premium assistance programs. In 2008, the UTMB Multi-Share Plan was funded through a grant from the Houston Endowment Inc. In FY 2010, UTMB began receiving TDI grant funding and to date has received $1,701,691. The program contracts with health care providers for employees enrolled in the program to obtain services; however, UTMB does not function as an insurer or health maintenance organization.

Enrollment in the UTMB plan has been the most stable among current and previous grantees, averaging 118 covered businesses and 411 covered employees. UTMB maintains an enrollment cap of 500 members. Since the program began receiving TDI grant funding in September 2010, it has provided premium subsidies to an average of 221 employees per month, which is close to 54 percent of enrolled employees. Figure 2 shows UTMB's enrollment since it began reporting data to TDI. The dip in subsidy receipients in 2011 reflects a correction to a billing error. The dips in 2012 and 2013 reflect drops due to the unavailability of grant funds.

Figure 3 shows the premium split between the employer, employee, and third-share subsidy.

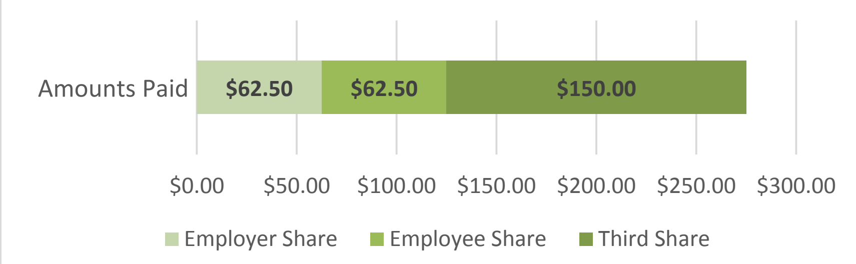
Figure 2: UTMB Enrollment



In the previous biennia, UTMB passed on all TDI grant funds to the low-wage employees of enrolled small employers in the form of third-share premium assistance. In the 2016-2017 biennium, UTMB used 22 percent of its grant funds for administrative expenses for the first time.

In FY 2014, UTMB plan premiums cost $275 per month and remained at that level through FY 2016. Last biennium, UTMB increased the monthly per member subsidy amount for members earning less than 300 percent of the federal poverty level (FPL) from $50 per month to $125 per per month. In FY 2016-2017, UTMB's monthly third-share subsidy amounts were $150 per member for FY 2016 and $175 per member for FY 2017.

Figure 3: UTMB Premium Splits



At the end of FY 2016, UTMB submitted a request to reallocate unspent funds from its FY 2016 third-share subsidy budget to cover other administrative expenses for claims and marketing. TDI approved the reallocation so UTMB could make full use of its FY 2016 grant budget.

Harris County Three-Share Plan

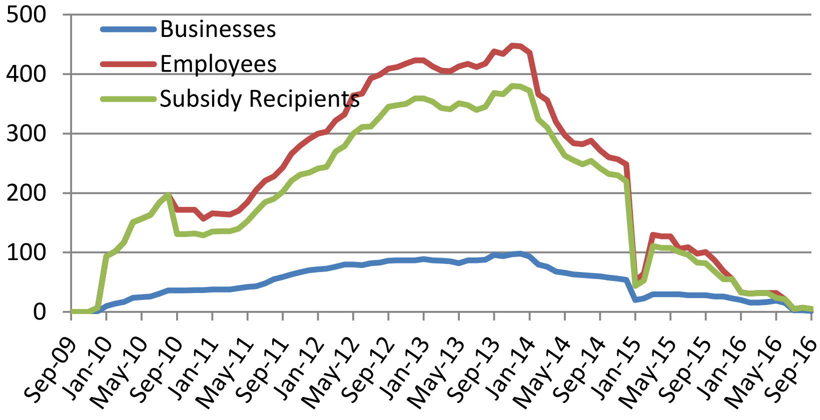
Harris County is a nonprofit organization, which originally operated under the direction of the Harris County Healthcare Alliance (HCHA). The HCHA appointed the board of directors who oversaw the development and operation of the Harris County Three-Share Plan. The HCHA received state grant funds for the development of the three-share premium assistance program in the 2008-2009 biennium. The program began enrolling members in December of 2009, and since its inception, it has received $1,443,303 in grant funds.

Since it began enrolling, the Harris County program maintained steadily increasing enrollment until January 2014, when it adjusted its coverage model in response to the changing marketplace under PPACA. This report discusses those changes in more detail in the next section.

For FY 2016-2017, Harris County continued their existing subsidy plan of working directly with the small employers who wish to assist employees in obtaining health insurance. Harris County required the small employers to pay an annual fee and provide quarterly payroll verification statements to Harris County.

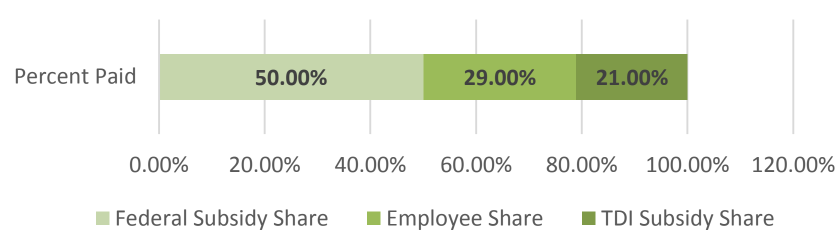
Harris County's subsidy would be 50 percent of the employee's portion of the premium after the federal subsidy was taken into account, up to a maximum of $75 per month.

Figure 4: Harris County Enrollment



Harris County saw a decline in membership beginning with over 100 subsidized employees in August 2015 down to five subsidized employees as of October 2016. Harris County used TDI grant funds to conduct a Small Business Health Insurance Study during FY 2016. The study concluded that although small businesses wanted to provide affordable insurance to all of their employees, Harris County was not able to sufficiently meet the needs of the community after the passage of PPACA due to structural limitations under Health and Safety Code Chapter 75. As shown in Figure 4, Harris County currently has two employers with five employees enrolled in its program. Of those, all five are eligible for premium assistance.

Figure 5: Harris County Premium Splits



Therefore, Harris County has notified TDI that they will cease participation in the program on December 31, 2016, midway through FY 2017. Harris County sent notification of this decision to the remaining two employers and five employees in mid-October 2016.

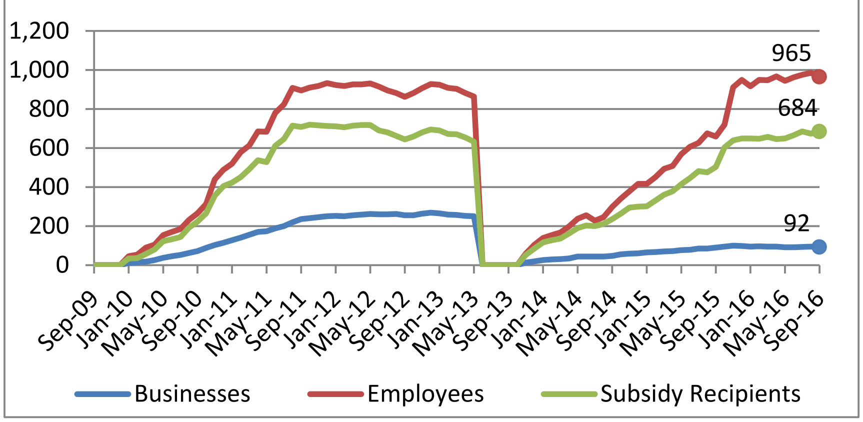
Figure 5 shows average premium splits for Harris County employers during FY 2016. The percentages are Federal Subsidy Share of 50 percent, Employee Share of 29 percent, and TDI Subsidy share of 21 percent.

Central Texas Three-Share Plan

Central Texas is also a nonprofit organization that operates independently. It initially provided a self-funded benefit plan, but had to terminate coverage for 864 members in May 2013 due to lack of funding. Central Texas reapplied for grant funds with a new model in the FY 2014-2015 biennium. It proposed assisting small employers in purchasing commercial coverage under Health and Safety Code Section 75.102. TDI approved the proposal to facilitate the purchase of small employer health benefit coverage beginning October 2013. The program reapplied for grant funds in the 2016-2017 biennium under the same model, with the option to assist employees of member employers with enrollment in individual Qualified Health Plans (QHPs) on the exchange.

Central Texas is a regional program serving six counties in Central Texas (Bastrop, Burnet, Hays, Milam, Travis, and Williamson). Central Texas received $4,642,032 in TDI grant funds since the 2008-2009 biennium. The program has grown steadily since beginning enrollment under the new model. Through October 2016, the program has enrolled 92 employers with 965 employees, 684 of whom are eligible for third-share subsidies. Figure 6 shows Central Texas enrollment since the program began enrolling in January 2010.

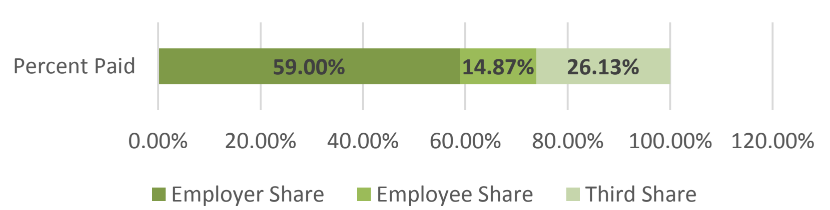
Figure 6: Central Texas Enrollment



Central Texas has also spent less from local matching funds than initially projected. As of September 2016, about 4 percent of Central Texas' total spending came from local matching funds. During the 2014-2015 biennium, Central Texas identified areas for cost reductions from analysis that TDI requested. Still, as of September 2016, Central Texas' average administrative cost per enrollee, per year is about $414 to date.

In FY 2016-2017, Central Texas had several budget changes. During the second month of the biennium, Central Texas exceeded enrollment it had projected in its initial grant application. In order to stay within the approved annual subsidy budget, the program implemented an enrollment freeze and waiting list. Central Texas also reallocated some of its administrative funds in November of 2015 and February of 2016 to account for changes in program need. None of these changes increased the program's total budget.

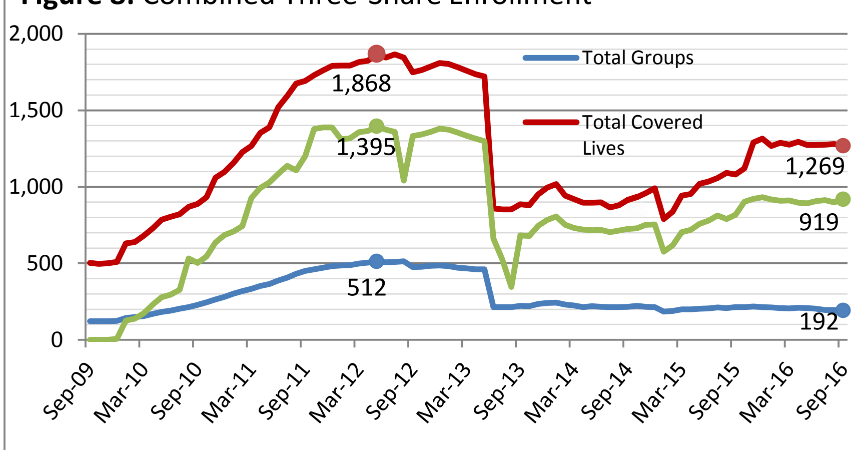
Figure 7: Central Texas Premium Splits



OVERALL THREE-SHARE DATA

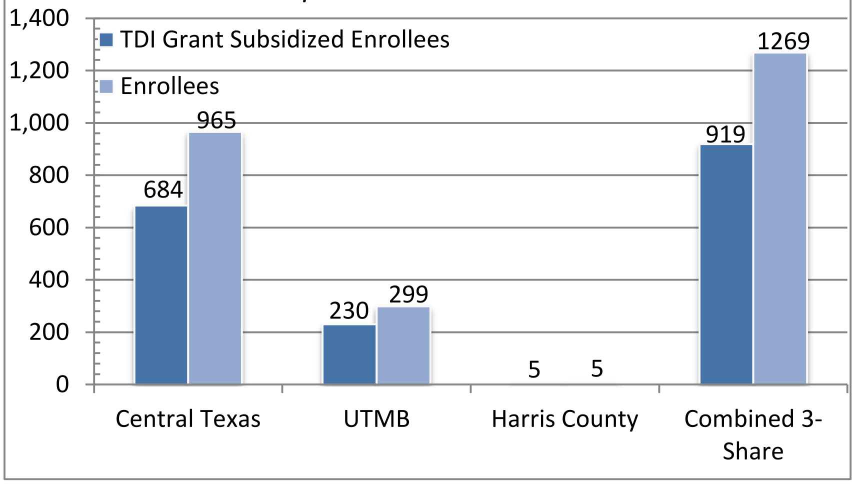
When TDI began tracking enrollment in September 2009, only one program, the UTMB pilot, had members, which included 122 employers with 502 employees. Since that time, programs have started, closed, and restructured. As of September 2016, the combined enrollment in the three remaining three-share premium assistance programs was 192 employers with 1,269 covered lives. At peak enrollment in May 2012, the combined enrollment was 512 employers and 1, 868 total covered lives with 1,395 subsidized employees. Figure 8 shows the total enrollment among all programs.

Figure 8: Combined Three-Share Enrollment



Among all three programs combined, about 72 percent of currently enrolled employees are eligible for premium assistance. Though eligibility requirements vary slightly between programs, eligibility for the third-share subsidy requires that employees be low-waged and enrolled in coverage through their employer. Employees not eligible for premium assistance split premiums with the employer in the traditional method for employer-sponsored coverage. Figure 9 shows the proportion of subsidy eligible enrollees currently enrolled in each program.

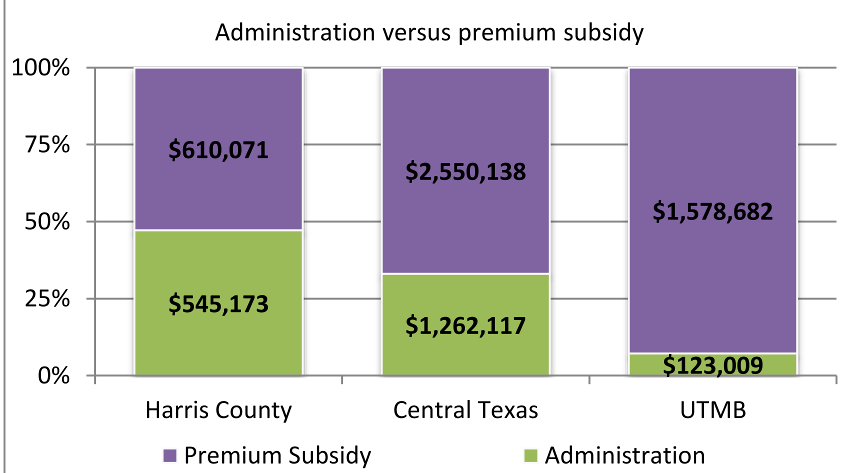
Figure 9: Subsidy-Eligible Employees
September 2016



Of the TDI grant funds provided to all grantees since the 2008-2009 biennium, $4.7 million, or 60 percent, has gone toward third-share premium subsidies and the remaining 40 percent, about $3.2 million, has gone to administrative expenses. Among the three remaining programs, UTMB historically did not use grant funds for administrative expenses and used 100 percent of its state grant funds for third-share premium assistance; until the 2016-2017 biennium. Figure 10 shows the distribution of all grant funding to date used by the three remaining programs for third-share premium subsidy and administration.

Program spending on administration has varied by program over time. Historically, Harris County has dedicated just under half its grant budget to administrative expenses, but requested no funds for administration in the current biennium. Central Texas dedicated a third of its grant budget to administration across biennia. Program spending on administration has varied over time. Harris County has used grant funds for administrative expenses in the first three grant periods, but did not use grant funds for administration in the 2014-2015 biennium. The program did request some administrative funds in the 2016-2017 biennium to conduct a study related to increasing outreach and enrollment in the program. Central Texas used state grant funds for administrative expenses in all of the five grant periods, and about a third of the program's total grant spending has gone to administration. UTMB had not used any state grant funds for administration until the 2016-2017 biennium. Only about 8 percent of UTMB's total grant spending has been on administration. About 22 percent of its 2016-2017 spending has gone to administration. Currently state grant funds account for about 45 percent of UTMB's administrative budget, 37 percent of Harris County's administrative budget, and 92 percent of Central Texas' administrative budget. All programs use state grant funds for 100 percent of third-share subsidy expenses.

Figure 10: Program Spending



THREE-SHARES AFTER PPACA

Many of the major health insurance market reforms under PPACA took effect on January 1, 2014. Among those reforms were the requirements that all private health plans cover a set of 10 essential health benefits and that plans meet certain actuarial value limits to help consumers understand what percentage of costs they will be responsible for under the plans. Additionally, PPACA required that individuals obtain minimum essential coverage (MEC) or face tax penalties, unless otherwise exempted. Lower-income individuals earning less than 400 percent of FPL who did not have access to affordable MEC through an employer would also be eligible for tax credits to assist in the purchase of health insurance coverage through the health insurance marketplace.

These significant changes in the health insurance marketplace had a major effect on three-share premium assistance programs in Texas and across the country. Two of the three Texas programs have undergone significant operational changes in attempt to adapt to PPACA requirements and changing needs within the uninsured population. Four of five other states with three-share programs have seen most programs close and only one program has successfully received federal designation as minimum essential coverage.

TEXAS PROGRAM CHANGES

At the time of FY 2014-2015 application, the three Texas programs were uncertain about the full PPACA impact. During that grant period, Harris County decided to adapt its program to changes under PPACA, as described later in this report. UTMB opted not to change benefit designs, and indicated that the plan did not qualify as MEC. Since Central Texas terminated coverage before the end of the 2012-2013 grant period, it revised its coverage approach to facilitate the employers' purchase of commercially available, PPACA compliant insurance products.

For the programs not considered MEC, TDI requested that the programs notify participants enrolled after January 1, 2014, that their plans were not MEC and employees could be subject to federal tax penalties if covered under the three-share plan.

In December 2013, Central Texas submitted more detailed plans to use state premium assistance to expand the coverage for participating employees through individual QHPs offered through the federal health insurance marketplace. Central Texas planned to use both the individual QHP model and small employer group coverage in combination to grow enrollment. Harris County submitted a proposal to help employees of member employers purchase individual QHPs on the marketplace and combine premium assistance with federal tax credits for eligible employees. Harris County's initial request was not to seek new enrollment, but help existing employer groups transition employees to individual QHPs. In September 2014, Harris County proposed expanding enrollment to new employer groups, and Central Texas finalized its proposal to expand enrollment to new employer groups. In the 2016-2017 grant period, Central Texas and Harris County both anticipated expanding enrollment in individual QHPs.

Harris County Structure

Under Harris County's approach, employees earning below 300 percent of FPL are eligible for premium subsidy to purchase a Community Care Silver Plan offered through Community Health Choice, the third-party administrator for the Harris County three-share program. In its 2016-2017 grant application, Harris County proposed expanding coverage options to other health insurance carriers offering silver plans in the county that met their criteria. During the current biennium, Harris County did not add any additional health insurance carriers.

Under Harris County's approach, eligible employees pay between 2 and 4 percent of their income for the coverage after federal tax credits and state premium subsidies. Participating employers pay an administrative fee to Harris County for helping low-income employees enroll in coverage and administering the application of state subsidies to premiums. The annual fee would vary depending on the size of the employer.

The actual Harris County subsidy varies depending upon the plan premium which varies by age, the income of the employee, and the poverty level range within which the employee's household falls. Harris County still receives $75 per subsidy-eligible member per month, or the actual subsidy amount if less than $75, from state grant funds. It combines local funds for the portion of premium subsidy above $75 if needed. TDI approved this approach for existing employer groups enrolled in Harris County before the first open enrollment period ended on March 31, 2014. In addition, TDI approved Harris County's plans to expand coverage to new members and to work with additional QHP carriers. Harris County discontinued the small group health plan it historically offered and transitioned existing members to the individual QHP plans for the 2015 plan year.

Central Texas Structure

Central Texas' approach requires employees that choose to enroll in individual QHPs to submit documentation from the federal marketplace verifying income level, eligibility for the advanced premium tax credit, and premium amount. Under this model, eligible employees are required to submit documentation to Central Texas showing proof of payment and continued enrollment in the QHP on a monthly basis, after which Central Texas provides the premium subsidies directly to eligible employees.

Central Texas also opted to have employers contribute to the administrative costs of the program associated with providing subsidies to employees enrolled in individual QHPs. To participate, employers pay Central Texas $35 per participating employee per month.

Central Texas designed its subsidy to reimburse eligible employees one-third of their portion of the premium up to $75 per month, after taking into account federal subsidy. Employees are free to choose any plan available in their area from any QHP issuer. Employees eligible for federal tax credits, up to 375 percent of FPL, are eligible for premium subsidies. Central Texas will reimburse employees for the subsidized portion of premiums.

Central Texas projected that only about 10 percent of its enrollment in FY 2016-2017 would come from members enrolled in individual QHPs. The program anticipated the rest of its enrollment would be through employers enrolled in commercial small group health plans. As of September 2016, Central Texas has only one employer group with employees enrolled in individual QHPs. During the current biennium, the program has generated much more interest in the small employer group coverage approach.

Oversight and Accountability

The grant agreements serve as TDI's primary oversight mechanism for the three-share premium assistance programs. TDI has no regulatory authority over these programs beyond the grant agreements because Health and Safety Code Chapter 75 does not define them as insurers and exempts them from TDI regulation. TDI has used experience to adjust the grant making process to ensure continued accountability from the grantees. Over time, TDI has moved from set scheduled payments to providing grant funds on a cost-reimbursement basis. Also, TDI has more clearly defined the type of supporting detail required for payment.

FUTURE FUNDING PROJECTIONS

The following projections assume no changes are made to PPACA.

If Central Texas and UTMB meet their enrollment goals for FY 2017 and no additional funds are re-distributed from the unused funds previously allocated to Harris County, approximately $1.69 million will carry over into FY 2018-2019. This amount is approximately $37,000 more than the amount that carried over from the previous biennium and does not anticipate additional growth in either program. If Central Texas and UTMB continue with the FY 2017 budget assumptions for the 2018-2019 biennium, the carryover amount would decrease to $1.42 million at the end of FY 2019.

If both Central Texas and UTMB are awarded a portion of the unused funds from Harris County to provide for additional subsidized employees as they have requested, the carryover amount will decrease to approximately $427,000 for the 2018-2019 biennium. These projections assume that both the appropriated funds and the fines from TDI remain the same for the 2018-2019 biennium and that the number of subsidized employees in both programs remain unchanged. If these assumptions are realized, the program will likely need to cease enrolling new insureds in the 2020-2021 biennium if no additional funds are allocated to it by the state.