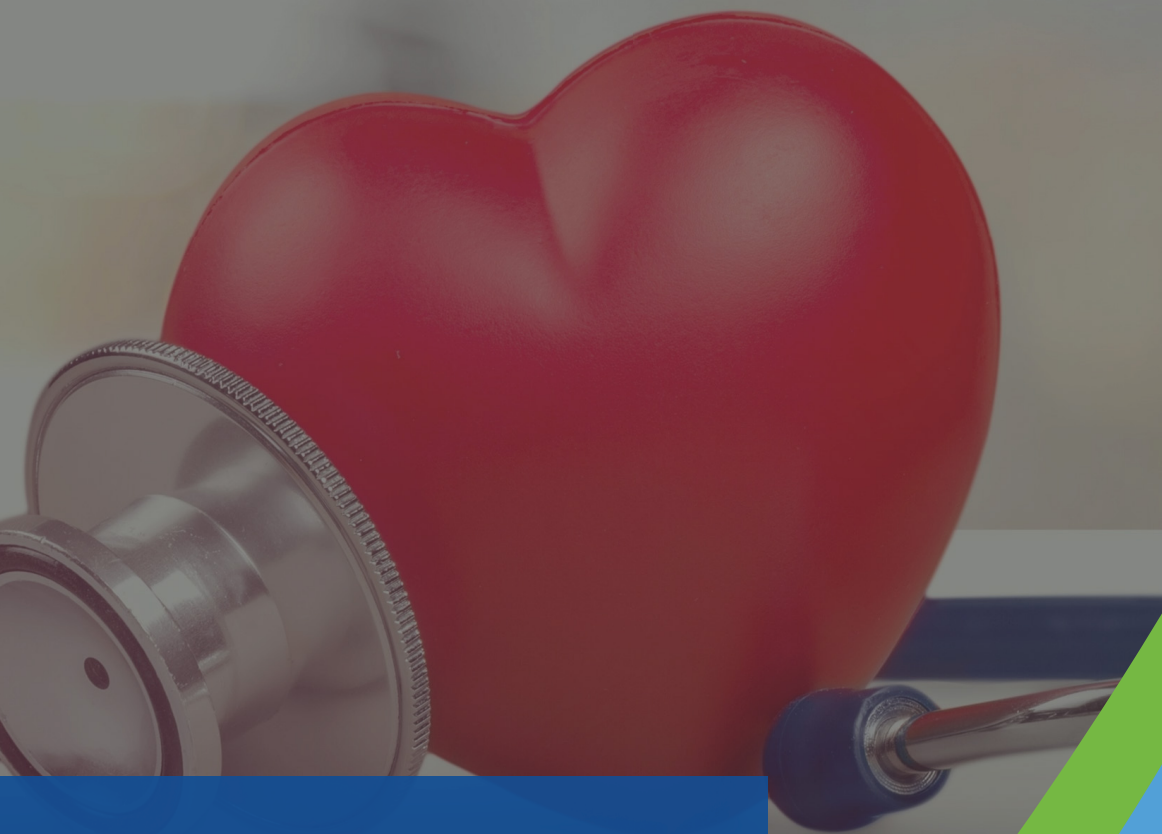


Texas Department of Insurance

# Three-Share Premium Assistance Programs Biennial Report

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December 2022





# Three-Share Premium Assistance Programs Biennial Report

by the

**Texas Department of Insurance**

Submitted December 2022

A handwritten signature in black ink, appearing to read "C. Brown", with a long horizontal flourish extending to the right.

Cassie Brown

Commissioner of Insurance

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# Background

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In 2007, the Texas Legislature enacted Senate Bill 10, which added Health and Safety Code Chapter 75 and allowed local entities to establish health care programs for small employers. The General Appropriations Act included grant funding to develop and operate three-share premium assistance programs and directed TDI to administer the grants.

The three-share assistance programs use state funds to subsidize premiums for low-income employees of small businesses. Typically, the employer and employee pay the premiums. Additionally, Chapter 75 requires three-share programs to seek funding for the programs from grants, donations, or gifts to reduce costs for participating employees and employers.

The programs:

- Improve the health of employees of small employers in Texas by improving access to health care and insurance.
- Reduce reliance on state-supported programs like Medicaid.
- Improve small employers' economic conditions by improving the health of employees and providing health care benefits to help attract employees.
- Encourage innovative solutions for providing health care services and benefits.

Though eligibility requirements vary between programs, employers must offer a group health plan and share the cost of the health plan with their employees to take part in the program. The third-share subsidy is available for low-wage employees of participating employers who enroll in coverage.

## Oversight and accountability

Three-share programs are not regulated as insurers. However, TDI uses the grant application process to ensure continued accountability from grantees, as directed in the General Appropriations Act.

## Funding background

Initial funding came from General Revenue (GR) funds collected from insurance company maintenance taxes and fees.

In 2011, the Legislature appropriated more funds from fines, penalties, and sanctions paid by regulated entities and deposited to GR.

These funds are not available until after the fiscal year Biennial Revenue Estimates (BREs) for such funds are met. If the BREs are not met, grant funds are not available. Appropriation riders allow TDI to carry forward unspent fines from previous fiscal years.

From 2010 to 2012, the programs also received grant funds from a federal State Health Access Program (SHAP) grant delivered through the Texas Health and Human Services Commission (HHSC).

In 2017, the Legislature reduced the funding from insurance company maintenance taxes and fees. Since then, over 95% of the programs' appropriated funding has come from fines, penalties, and sanctions. The funding from maintenance taxes and fees pays for a TDI employee to supervise the grant program.

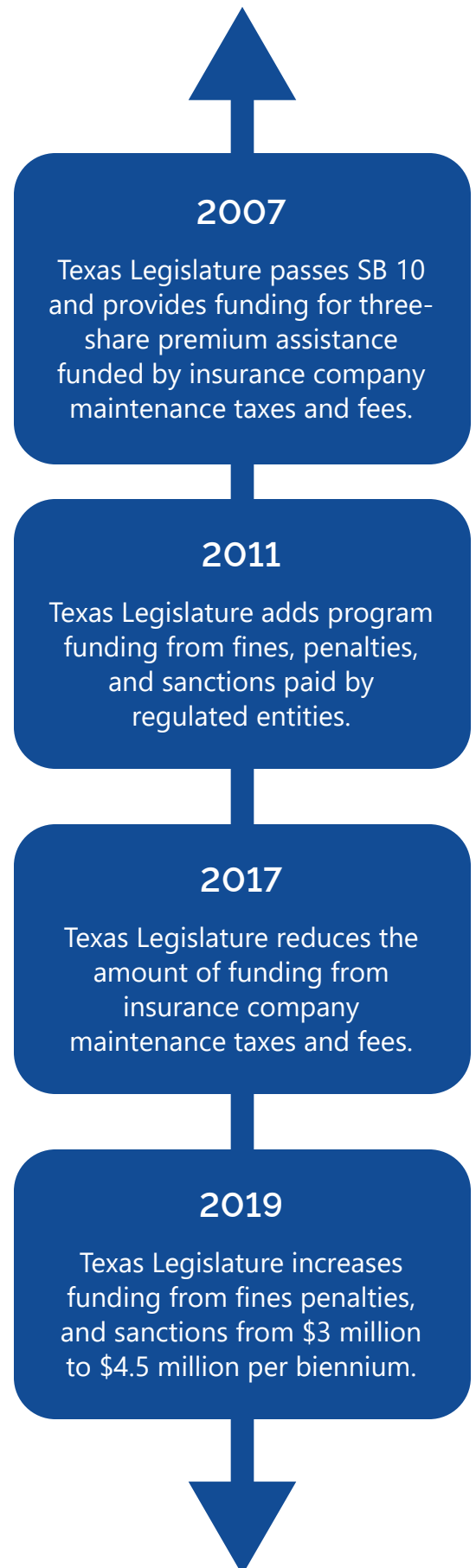
Funding from fines, penalties, and sanctions increased from \$3 million to \$4.5 million for FY 2020-21. This funding was maintained through FY 2022-23.

### State-administered grant funds by FY biennium

Grant period	Total grants*
2008-09	\$ 624,638
2010-11	3,212,039
2012-13	1,358,289
2014-15	1,989,381
2016-17	3,694,929
2018-19	3,743,422
2020-21	3,841,278
2022-23 (paid through August 31, 2022) <sup>†</sup>	1,905,647
<b>Total</b>	<b>\$ 20,369,622</b>

\* Includes TDI & HHSC administered grant funds.

† Out of \$4,560,000 awarded for the biennium.



# Overview

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## Grant award summary

TDI uses a competitive application process to award three-share grant funds. TDI experts evaluate applications and recommend grant amounts.

Three-share premium assistance programs have evolved since the initial grant cycle in FY 2008-09. Programs used to apply for grant funds as a coalition. Now they apply independently, and since FY 2018-19, requests have exceeded available funds. TDI has also adjusted grant procedures to strengthen reporting requirements and ensure better financial management by grantees.

## Grantee selection process

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Each odd-numbered year, TDI develops a request for applications (RFA) to solicit qualified applicants for the upcoming grant cycle. The RFA includes four areas the Legislature instructed TDI to use when selecting grantees.

TDI considers:

- Proposals to match grant awards with local funds.
- Percentage of uninsured in the applicable area.
- Existing efforts in pursuing three-share premium assistance programs.
- Health care and delivery factors affecting the area's health care infrastructure and capacity.

## Current program participants

Initially, six entities took part in the program; two are currently in operation.

- **TexHealth Central Texas (TexHealth)** - Originally operated in coordination with other regional programs as part of the Texas Communities Healthcare Coalition. Suspended enrollment and terminated existing members in 2013 while it re-evaluated and ultimately changed its model of operation following the implementation of the Affordable Care Act. Now, rather than provide coverage directly, the program helps employees buy commercial small employer coverage.
- **The University of Texas Medical Branch at Galveston (UTMB)** - Has operated its program since before SB 10 was enacted in 2007. Maintains enrollment under its original model of a noninsurance limited benefit health plan.

## Grantee spending by FY biennium

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Program	2008-13*	2014-15	2016-17	2018-19	2020-21	2022-23†	Total
TexHealth	\$ 2,192,576	\$ 1,130,906	\$ 2,493,806	\$ 2,252,134	\$ 2,257,644	\$ 1,094,411	\$ 11,421,477
UTMB	661,932	471,200	1,080,282	1,491,288	1,583,634	811,236	6,099,572
<b>Total</b>	<b>\$ 2,854,508</b>	<b>\$ 1,602,106</b>	<b>\$ 3,574,088</b>	<b>\$ 3,743,422</b>	<b>\$ 3,841,278</b>	<b>\$ 1,905,647</b>	<b>\$ 17,521,049</b>

\* TexHealth spending in 2008-2013 includes \$829,777 in funds awarded from the HHSC SHAP grant.

† Paid through August 31, 2022.

## Previous program participants

The following entities previously took part in the program:

- Harris County – closed in FY 2017
- Brazos Valley – closed in FY 2012
- North Texas – closed in FY 2011
- El Paso – closed in FY 2011

## Historical spending by FY biennium

Program	2008-09*	2010-11†	2012-13‡	2014-15	2016-17	HHSC SHAP	Total
Harris County	\$ 147,500	\$ 448,866	\$ 51,643	\$ 387,275	\$ 120,841	\$ 288,059	\$ 1,444,184
Brazos Valley	N/A	285,271	99,502	Closed	Closed	138,053	522,826
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
<b>Total</b>	<b>\$ 477,138</b>	<b>\$ 1,273,163</b>	<b>\$ 151,145</b>	<b>\$ 387,275</b>	<b>\$ 120,841</b>	<b>\$ 439,012</b>	<b>\$ 2,848,574</b>

\*El Paso refunded \$30,815 in unused funds from 2009.

†North Texas refunded \$4,547 in 2009 and \$8,716 in 2011.

‡Less funding was available in FY 2012-13 because TDI only collected \$266,500 in fines and penalties in FY 2011.

## 2022-2023 grant period

The 2021 Legislature decreased the appropriation for TDI administration from \$64,847 to \$64,300 during each fiscal year of the 2022-23 biennium. It also maintained the appropriation for grant funding at up to \$2.25 million from fines for each year.

During FY 2020-21, the BREs were exceeded, and TDI collected the full \$2.25 million each fiscal year. In making grant awards for FY 2022-23, TDI awarded the full \$4.5 million from fines and penalties collected during FY 2020-21, plus \$60,000 carried over from the FY 2020-21 grant period.

### Grant application considerations

TDI conducted another competitive application process for 2022-23. TDI received applications from two programs: UTMB and TexHealth.

TDI considered:

- Grant proposal strength.
- Total funding requests.
- Projected enrollment.
- Proportion requested for premium assistance compared to administrative expenses.
- Applicants' access to local matching funds.

TexHealth projected an increase of 400 participants for FY 2022-23 and continued a monthly \$110 per member subsidy. TDI approved a total grant budget of \$2.69 million for FY 2022-23, including 17% for administrative expenses. That percentage is consistent with the maximum provided in the RFA.

UTMB projected stable enrollment in both years of the FY 2022-23 and continued the same monthly \$200 per member subsidy. TDI approved the full \$1.87 million UTMB requested for FY 2022-23. Less than 9% was allocated for administrative expenses.

### FY 2022-23 grant spending

Program	Projected enrollment change	Monthly subsidy per member	Grant funds approved*	Spending through August 2022	Administration expenses
TexHealth†	400	\$ 110	\$ 2,691,489	\$ 1,094,411	17%
UTMB	-	200	1,868,511	811,236	9%
<b>Total</b>	<b>400</b>	<b>\$ 310</b>	<b>\$ 4,560,000</b>	<b>\$ 1,905,647</b>	<b>-</b>

\* Actual grant payment amounts are subject to subsidy-eligible enrollment and documentation of expenses.

† Due to decreased enrollment numbers from the COVID-19 pandemic and high mobility in the labor market, TDI and TexHealth agreed to a contract amendment limiting administrative spending to the greater of \$16,000 or 17% of grant funds. This provided stability during months when the program's enrollment fell short of targets.



## Participating programs

Chapter 75 allows a variety of governance structures for three-share premium assistance programs, 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.
- Helping to purchase commercial insurance plans for employees of member small businesses.
- Chapter 75 provides broad authority for developing eligibility criteria if an employer shares premiums or other coverage costs. As a result, the TexHealth and UTMB programs are different.

## TexHealth

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TexHealth is an independent nonprofit organization. It initially provided a self-funded benefit plan but terminated coverage for 864 members in May 2013 due to a lack of funding. For FY 2014-15, TexHealth reapplied for grant funds with a new model, which TDI approved. The program helps small employers and employees buy commercial coverage in the small employer group market.

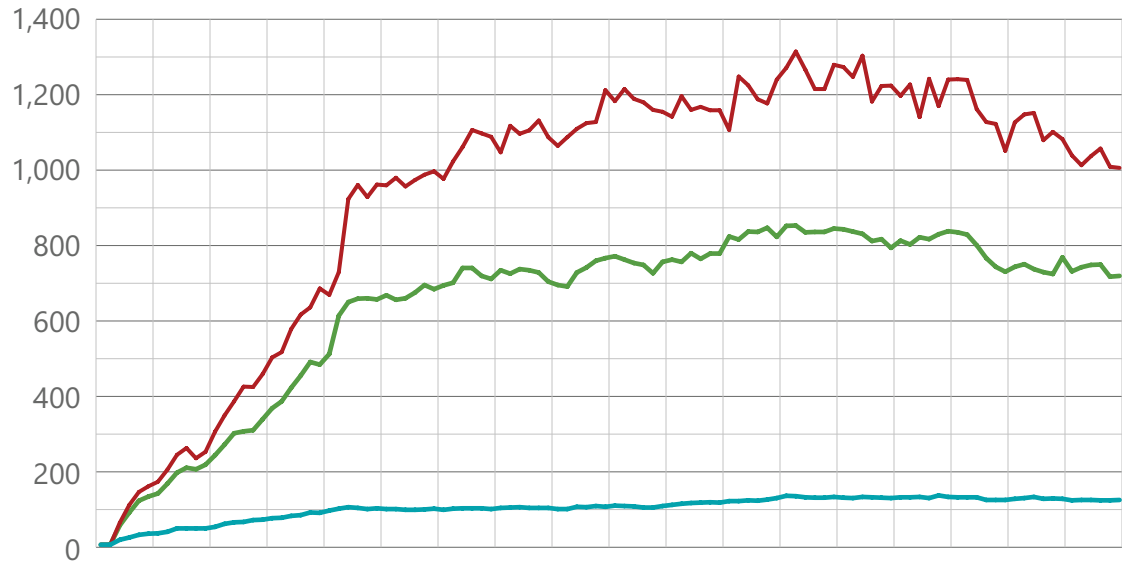
TexHealth serves Bastrop, Burnet, Hays, Milam, Travis, and Williamson counties. In recent years, it expanded to also serve Harris and McLennan counties. Since 2009, TexHealth has received \$10.59 million in TDI grant funds.

The program grew steadily from 2013 through 2019 but has seen decreased enrollment since 2020.

The pandemic affected employers in many ways, including business closures, layoffs, and increased wages. This made some employees ineligible for insurance subsidies. As a result, TexHealth asked TDI to reallocate unspent funds from FY 2020-21.

In FY 2022, small employers continued to experience high mobility in the labor market. TexHealth increased outreach to agents serving the small employer market to grow enrollment. Average monthly program enrollment included 120 covered businesses and 1,059 covered employees.

## Average TexHealth enrollment by fiscal year



Enrollment type	2014	2015	2016	2017	2018	2019	2020	2021	2022
■ Businesses	27	68	94	96	99	114	125	124	120
■ Employees	149	482	908	1,066	1,138	1,168	1,238	1,167	1,059
■ Subsidized employees	123	357	639	712	731	790	822	792	728

The program provided premium subsidies to 728 employees each month. This is 69% of enrolled employees. Premiums vary by plan, and employees could qualify for a monthly subsidy of up to \$110. During FY 2022, the average premium was \$503, and the average subsidy was \$102.

TexHealth relies on local matching funds due to the cap placed on administrative expenses initiated in FY 2018. In FY 2022, TexHealth faced low enrollment numbers that caused administrative costs to exceed 17% of the total grant spending in some months. As a result, TDI and TexHealth agreed to a contract amendment limiting administrative spending to the greater of \$16,000 or 17% of grant funds.

## TexHealth premiums



■ Employer share	\$ 302	60%
■ Employee share	\$ 99	20%
■ Third share	\$ 102	20%

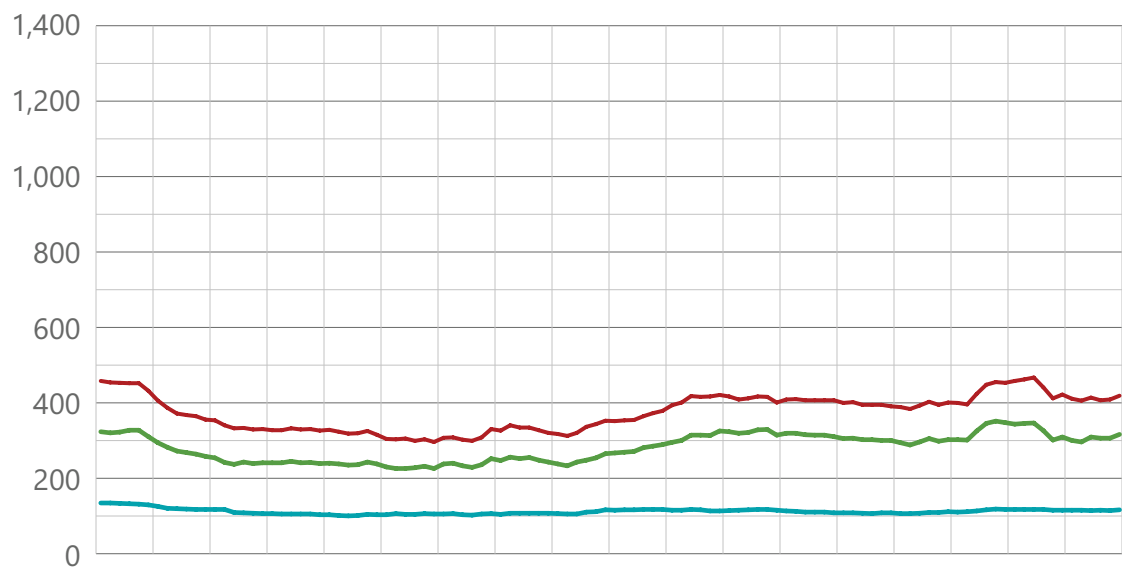
## UTMB

UTMB is the longest-running participating program. The plan was funded in 2008 through a grant from the Houston Endowment Inc. In FY 2010, UTMB began receiving TDI grant funding. Through FY 2022, it has received \$5.62 million in grant funds.

The program contracts with UTMB health care providers to serve enrolled employees and contracts with a third-party administrator to pay claims.

Enrollment in the UTMB plan has been stable. In FY 2022, average monthly program enrollment included 108 covered businesses and 418 covered employees. UTMB maintains an enrollment cap of 500 employees.

### Average UTMB enrollment by fiscal year



Enrollment type	2014	2015	2016	2017	2018	2019	2020	2021	2022
■ Businesses	119	101	96	99	106	108	102	104	109
■ Employees	404	324	304	312	338	403	393	403	418
■ Subsidized employees	289	234	225	236	254	308	301	305	309

During FY 2022, the program provided premium subsidies to an average of 309 employees per month. This is 74% of enrolled employees.

From 2010 through 2015, UTMB spent all TDI grant funds on premium assistance for low-wage employees of enrolled small employers. Beginning in FY 2016-17, UTMB began using a small percentage for administrative expenses.

The monthly cost for the UTMB program is \$300 per employee, which is offset by a \$200 third-share subsidy for members earning less than 300% of the federal poverty level. These amounts have remained stable since 2018.

## UTMB premiums



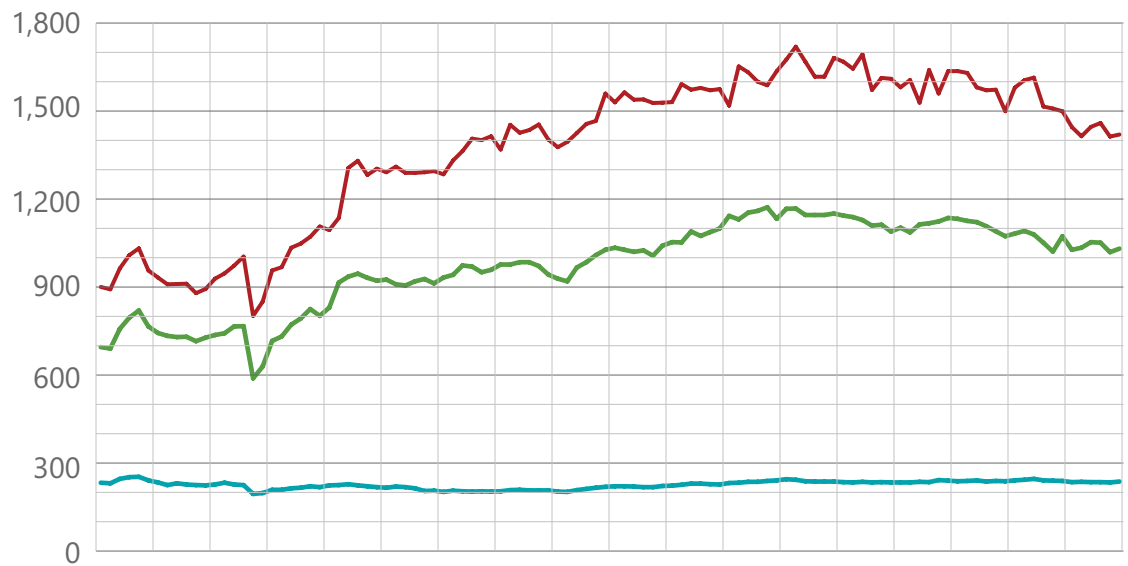
■ Employer share	\$ 50	16.5%
■ Employee share	\$ 50	16.5%
■ Third share	\$ 200	67.0%

### Overall three-share data

At the end of FY 2022, about 70% of enrolled employees were eligible for premium assistance. There were 227 covered businesses and 1,404 covered employees in the two programs. About 1,015 employees received subsidies.

In May 2012, the program reached peak enrollment. The combined enrollment was 512 businesses and 1,868 employees. About 1,390 received subsidies.

### Average combined three-share enrollment by fiscal year



Enrollment type	2014	2015	2016	2017	2018	2019	2020	2021	2022
■ Businesses	225	206	208	195	205	222	227	228	229
■ Employees	919	960	1,253	1,379	1,476	1,570	1,631	1,570	1,477
■ Subsidized employees	730	727	902	950	985	1,098	1,122	1,096	1,037

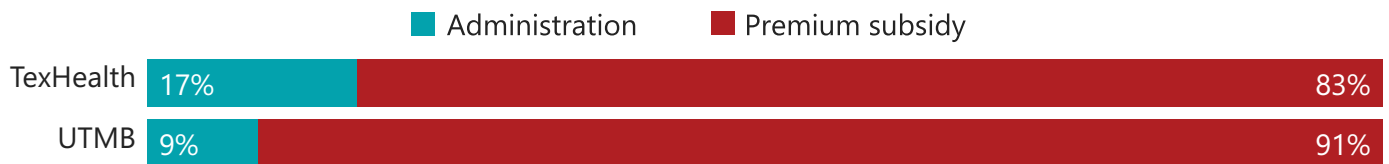
## Future funding projections

In FY 2022, TDI collected the full \$2.25 and has about \$300,000 left from the grants to award in FY 2024-25.

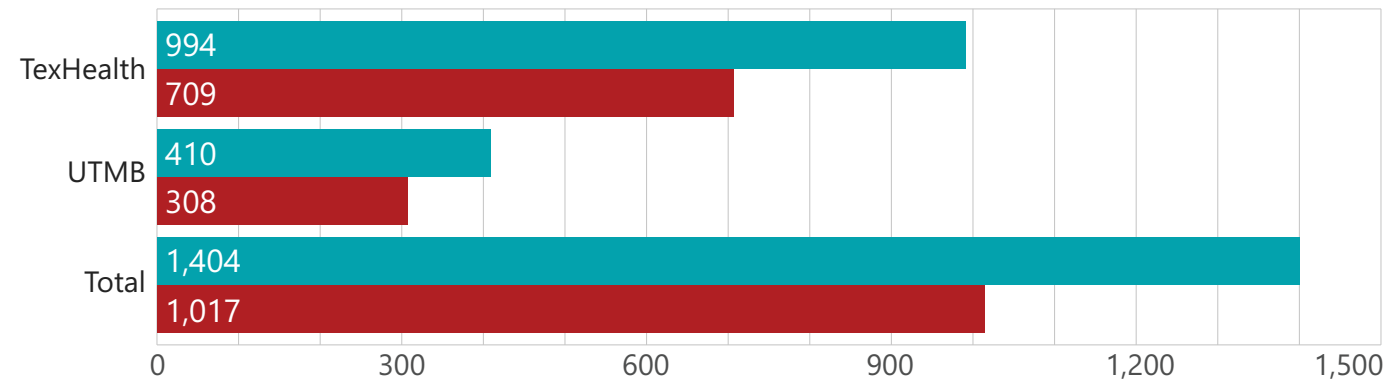
In FY 2023, the BRE of \$44.75 million from prompt pay penalties or of \$8.94 million from other fines would have to be exceeded before any funding from either source would be available for this program.

If the BREs are not met in FY 2023, TDI estimates that the funds currently available for FY 2024-25 would fund the program for 16 months. This estimate assumes an average spending rate of about \$159,000 per month. The total amount available for FY 2024-25 may not be known until the end of FY 2023, depending on the amount of fines and when they're collected.

### Administration vs. premium subsidy for FY 2022



### Subsidy-eligible employees, August 2022



Enrollment type	TexHealth	UTMB	Total
■ Enrollees	994	410	1,404
■ TDI grant-subsidized employees	709	308	1,017



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