Texas Department of Insurance

Three-Share Premium Assistance Programs

Report on Rider 13, Title VIII, 86th Legislature, Regular Session, 2019

Submitted December 2018

Table of Contents

Executive Summary

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	$3,694,929
2018-2019 Biennium**	$1,785,847
Total	**$12,665,123**

* Includes TDI and HHSC administered grant funds
** Amount paid through August 31, 2018

In the last six legislative sessions, the Texas Legislature has provided grant funding for developing and operating 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. These programs share the cost of coverage typically borne by only the employer and employee. The programs use state funds to administer the programs and for the one-third share of premiums. The Legislature directed the Texas Department of Insurance (TDI) to administer these grants. The programs also received grant funds from the Texas Health and Human Services Commission (HHSC) from 2010 to 2012 from a federal State Health Access Program (SHAP) grant.

Fiscal Year 2018-2019 was the first biennium where the amounts requested by the programs exceeded the amount available for distribution. If future funding matches this biennium, the programs will likely have to either freeze membership at the current level or terminate coverage because of lack of funds.

This report fulfills 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 collected by TDI. While legislative funding has remained fairly level until this biennium, funding based on fines has 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] Previously, funding based on fines was restricted to fines TDI collected from health insurers. In fiscal years 2018 and 2019, fines from the allowed regulated entities should generate the full $1.5 million per year allowed. Table 1 shows the total amount of grant funds administered by TDI in each biennium through August 31, 2018.

[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).

Initially, six regions sought to implement three-share grant programs; however, four programs have closed since FY 2008. The last of these four ended operations as of December 31, 2016, because there was not enough employer participation. One of the remaining two programs suspended enrollment and terminated existing members in 2013 while it re-evaluated and ultimately changed its model of operation. The program now helps employees purchase commercial coverage rather than providing coverage directly and bearing the risk for claims because of the changes the Patient Protection and Affordable Care Act (PPACA) made to the health insurance marketplace. The second program has maintained enrollment and continues to evaluate the ongoing effects of the PPACA and the current marketplace.

Overview

Health and Safety Code Chapter 75, enacted as Senate Bill 10 by the 80th Legislature, Regular Session (2007), permits county commissioners courts to create health care programs for employers, including three-share programs, that are exempt from regulation under the Insurance Code. 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 help attract employees; and
- encourage innovative funding and providing of health care services.[3]

Chapter 75 three-share programs must actively seek funding from a variety of sources like grants, donations, or gifts to fund services and reduce costs for participating employees and employers.[4] 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] While the Legislature continues to fund the development and operation of the three-share programs, it reduced the appropriation amount for the first time during the 85th Legislative Session by $319,012 for each year of the 2018-2019 biennium.

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 evolved 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, it adjusted grant procedures to strengthen reporting requirements, ensure better financial management from grantees, and enhance compliance.

[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).

Grantee Selection Process

For each grant cycle, TDI developed a Request for Applications (RFA) to solicit qualified applicants. The RFA had the four areas the Legislature told TDI to use when 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]

TDI subject matter experts evaluated applications to determine the strength of each application and to recommend grant award amounts.

Summary of Historical Grant Funding

Since TDI began providing grants to three-share premium assistance programs in the 2008-2009 biennium, it has paid more than $11.39 million in grants to all programs combined. HHSC provided an additional $1.27 million from a federal SHAP grant. Grantees used 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 August 31, 2018.

The 80th Legislature appropriated $300,000 in 2008 and $450,000 in 2009 for grants and costs associated with

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	FY 2018-2019**	HHSC SHAP	TOTAL
Central Texas	$147,500	$887,548	$327,751	$1,130,906	$2,493,806	$1,110,345	$829,777	**$6,927,633**
Harris County	$147,500	$448,866	$51,643	$387,275	$120,841	Closed	$288,059	**$1,444,184**
El Paso	$186,685	$197,281	Closed	Closed	Closed	Closed	N/A	**$383,966**
North Texas	$142,953	$341,745	Closed	Closed	Closed	Closed	$12,900	**$497,598**
Brazos Valley	N/A	$285,271	$99,502	Closed	Closed	Closed	$138,053	**$522,826**
UTMB Multi-Share Plan	N/A	$387,072	$274,860	$471,200	$1,080,282	$675,502	N/A	**$2,888,916**
Total	**$624,638**	**$2,547,783**	**$753,756**	**$1,989,381**	**$3,694,929**	**$1,785,847**	**$1,268,789**	**$12,665,123**

***El Paso refunded $30,815 in unused funds from 2009. North Texas refunded $4,547 from 2009 and $8,716 in 2011.**
****Paid through August 31, 2018.**

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, TexHealth North Texas, TexHealth Harris County, and TexHealth Central Texas.

[6] Ibid.

During the next session, the 81st Legislature appropriated $450,000 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 on the fines TDI collected from health insurers in each fiscal year. TDI collected the full $1.5 million in FY 2010, but only $266,500 in FY 2011.

Table 3: FY 2010-2019 Participating Programs

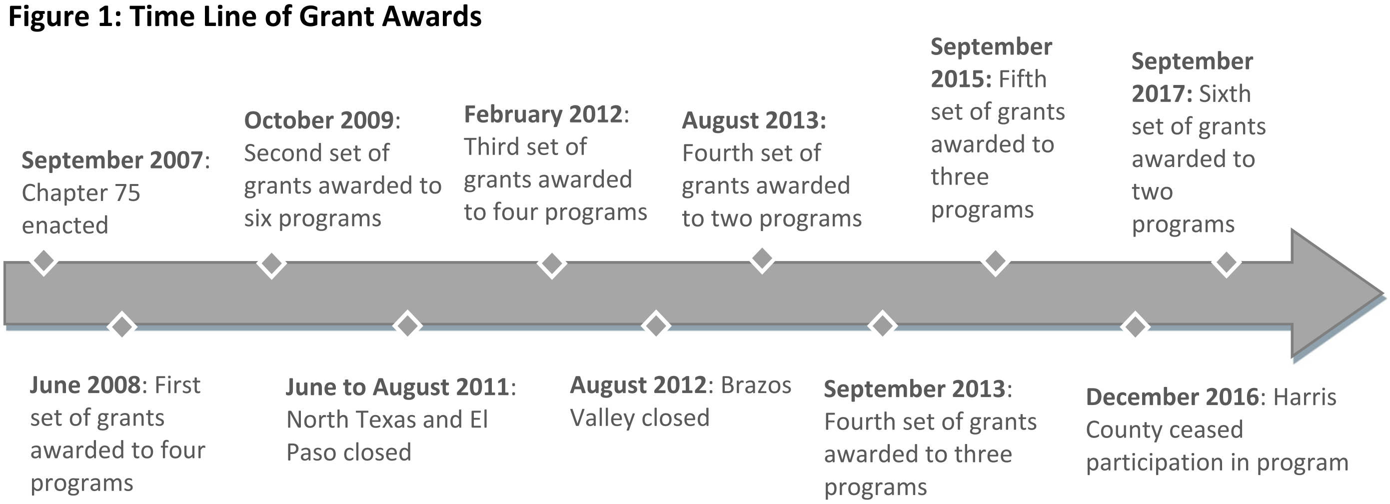
Program Name	Counties Served
El Paso	El Paso
North Texas	Dallas
Harris County	Harris
UTMB Three-Share Plan	Galveston
Central Texas	Burnet, Hays, Travis, and Williamson
Brazos Valley	Brazos, Burleson, Grimes, Leon, Madison, Robertson, and Washington

By September 2010, five of the six programs were enrolling small businesses in the three-share program. However, during FY 2011, North Texas and El Paso stopped operations before any enrollment.

The 82nd Legislature continued funding the three-share program 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 ended operations, partly because of the end of federal grant funding and the lack of state fine-based grant funds.

While TexHealth Central Texas received limited funding from the Travis County Hospital District (dba Central Health) and several counties in their service area, it had to terminate enrollment for 251 employers with 864 employees in June 2013 after exhausting all grant funds from TDI and TexHealth 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. The Legislature adjusted

[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).

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 2014-2015, the new rider language resulted in the full $1.5 million per year being available for these grants.

The 84th Legislature again appropriated $443,714 for grants and TDI's administration costs 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.

2018-2019 Grant Period

The 85th Legislature reduced the General Revenue appropriation from $443,714 to $62,351 during each fiscal year of the 2018-2019 biennium but maintained the appropriation of up to $1.5 million from fines for each fiscal year. In addition, the appropriation rider allowed TDI to carry forward $1,861,814 of unspent fines from the previous biennium.

TDI collected the full $1.5 million in allotted fines by November 2017 for FY 2018, and TDI began collecting the $1.5 million in September 2018 for FY 2019. Table 4 shows available grant funding in each fiscal year as collected through August 31, 2018.

Table 4: 2018-2019 Available Grant Funds

Funding Source	Fiscal year	Amount
General Revenue	2018	$0.00*
Fines	2018	$1,500,000
Total 2018 Funds		**$1,886,381**
General Revenue	2019	$0.00*
Fines	2019	$0.00**
Total 2097 Funds		**$0.00**

*Amount available after TDI administration.
**Collected through August 31, 2018.

Grant Application Considerations

For the 2018-2019 grant period, TDI again conducted a competitive application process. 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.

TDI received applications from two programs: UTMB and TexHealth Central Texas.

Before the 2016-2017 biennium, UTMB used grant funding for third-share premium assistance only; however, they requested $183,954.83 in grant funds for administrative expenses for the 2018-2019 biennium, so the program would not have to raise premiums to cover growing operational costs.

UTMB projected stable enrollment in FY 2018, slight growth in FY 2019, and an increase in the per member subsidy amount from $175 in FY 2017 to $200 in FY 2018-2019. TDI approved a grant budget for UTMB of $864,699.92 for FY 2018 and $915,254.91 for FY2019, which was the entire amount requested by the program. The total amount of the grant award is subject to subsidy-eligible enrollment.

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

Central Texas, had to reduce its grant budget for administration from 37 percent to 20 percent for FY 2018 and 17 percent for FY 2019 to comply with the terms of the RFA. In addition, it reduced its third-share subsidy to not more than $118 per member per month. The subsidy amount may be less depending upon the total group premium. Central Texas projected significant growth during each year of the biennium. TDI approved a grant budget of $1,179,208.20 for FY 2018 and $1,400,557.80 for FY 2019, with third-share subsidy funds subject to enrollment and available grant funds.

Table 5 shows actual grant spending by each program through August 2018.

Participating Programs

Table 5: FY 2018-2019 Grant Spending

Program	Spending to date*
TexHealth Central Texas	$1,110,345
UTMB Multi-Share Plan	$675,502
TOTAL	**$1,785,847**

*Total through August 2018 invoices

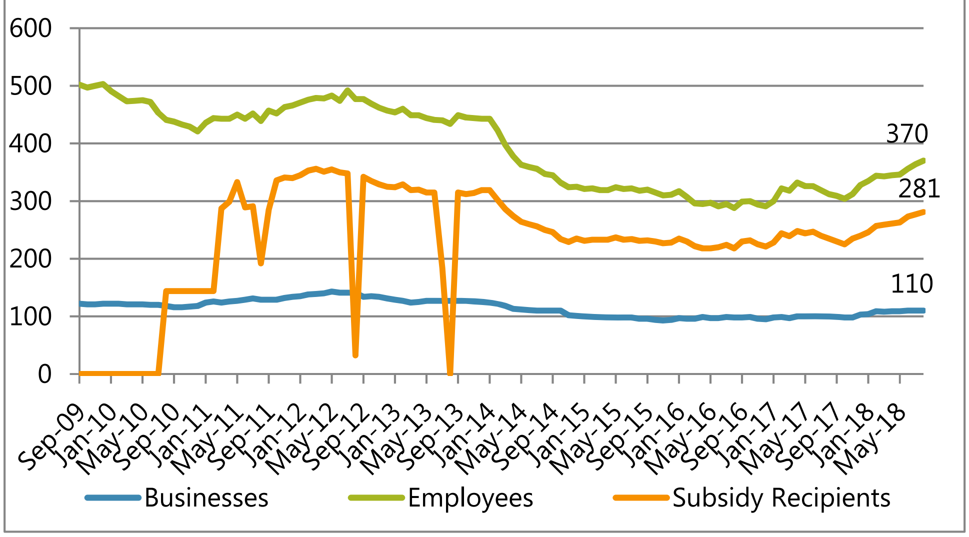
Chapter 75 allows a variety of governance structures for three-share premium assistance programs, including joint government councils and nonprofit organizations. Programs have flexibility in how benefits are structured, including providing coverage with a self-funded benefit package, collaborating with health care facilities to provide services to members, and helping to purchase 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, these two programs are not alike.

The University of Texas Medical Branch Multi-Share Plan

Among the two grantees in the FY 2018-2019 grant cycle, the UTMB Multi-Share Plan is the longest running. It began as a pilot program in 2008, before TDI awarded 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 $2,888,916 in grant funds. The program contracts with UTMB health care providers to provide healthcare services for employees enrolled in the program; 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 106 covered businesses and 338 covered employees for FY 2018. 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 256 employees per month, which is 67 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 because of the unavailability of grant funds.

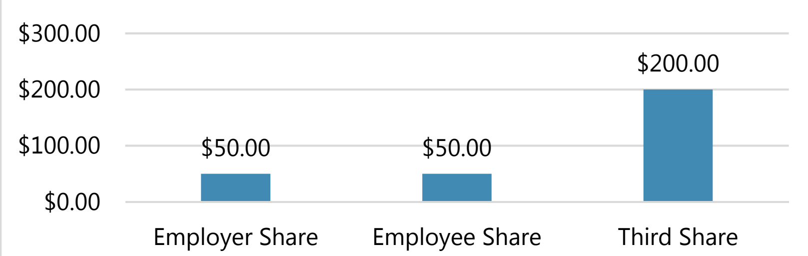
Figure 2: UTMB Enrollment



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. Beginning with the 2016-2017 biennium, UTMB began using a small percentage of its grant funds for administrative expenses.

In FY 2014, the cost for UTMB plan premiums was $275 per month and it 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 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. For FY 2018-2019, UTMB increased the monthly per member amount to $300 with the monthly third-share subsidy amount of $200 per member per month. Figure 3 shows the premium split between the employer, employee, and third-share subsidy.

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.

TexHealth Central Texas Three-Share Plan

TexHealth Central Texas is an independent nonprofit organization. It initially provided a self-funded benefit plan but had to terminate coverage for 864 members in May 2013 because of lack of funding. Central Texas reapplied for grant funds with a new model in the 2014-2015 biennium. It proposed helping small employers buy commercial coverage under Health and Safety Code Section 75.102. TDI approved the proposal to make buying small employer health benefit coverage easier beginning October 2013. The program reapplied for grant funds in the 2016-2017 biennium under the same model, with the option to help employees of member employers with enrollment in small group 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 began serving Harris County in the 2018-2019 biennium. Central Texas has received $6,097,856 in TDI grant funds since the 2008-2009 biennium. The program has grown steadily since beginning enrollment under the new model. As of August 2018, the program has enrolled an average of 102 employers with 1,142 employees, 746 of whom are eligible for third-share subsidies. Figure 4 shows Central Texas enrollment since the program began enrolling in January 2010.

Figure 4: TexHealth Central Texas Enrollment

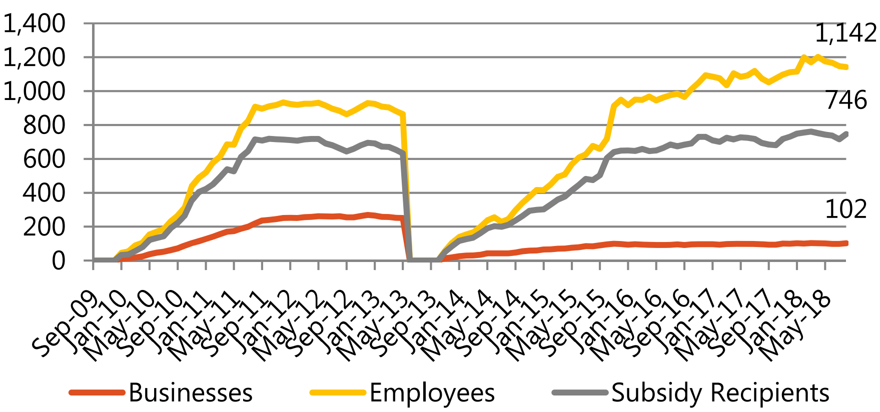
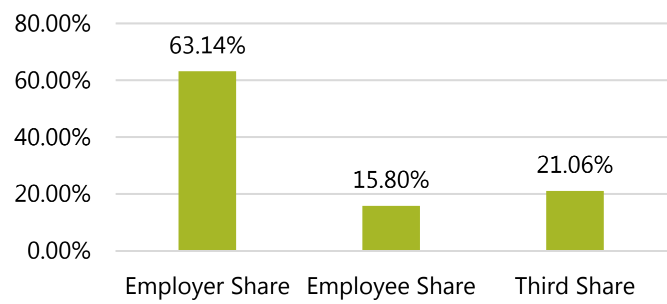


Figure 5 shows the percentage of premium split between the employer, employee, and third-share subsidy.

Central Texas has 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, since September 2016, Central Texas' average administrative cost has run approximately $414 per enrollee, per year.

Central Texas had several budget changes in FY 2016-2017. During the second month of the biennium, Central Texas exceeded enrollment it had projected in its initial grant application. 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 5: TexHealth Central Texas Percentage Premium Splits

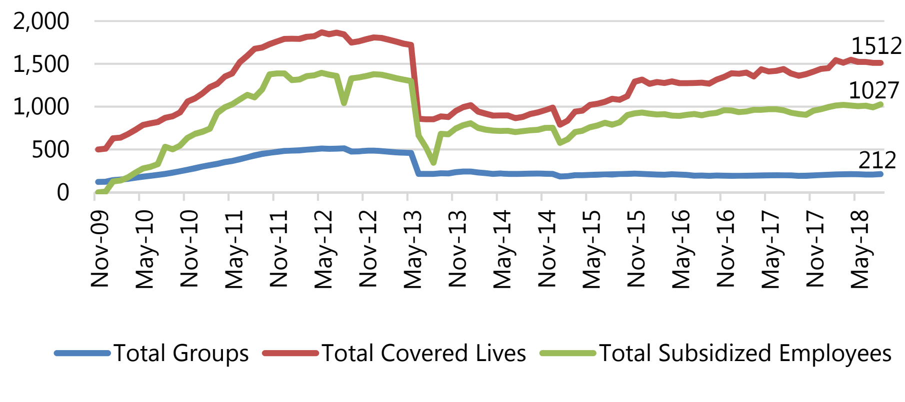


In FY 2018, Central Texas increased their enrollment very little because of the limited amount of funds awarded to them for the 2018-2019 biennium.

Overall Three-Share Data

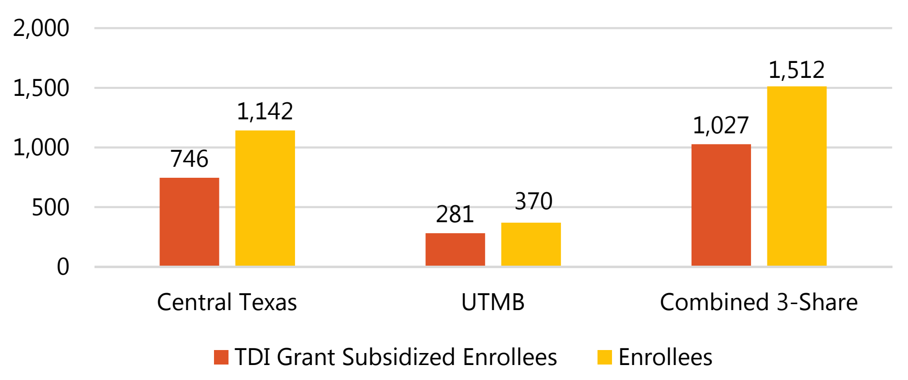
When TDI began tracking enrollment in September 2009, only one program, the UTMB pilot, had members. There were 122 employers with 502 employees. Since then, programs have started, closed, and restructured. As of August 2018, the combined enrollment in the two remaining three-share premium assistance programs was 212 employers with 1,512 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 6 shows the total enrollment among all programs.

Figure 6: Combined Three-Share Enrollment



Currently, among the two programs combined, about 70 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 7 shows the proportion of subsidy eligible enrollees currently enrolled in each program.

Figure 7 : Subsidy-Eligible Employees
August 2018



Of the TDI grant funds provided to all grantees since the 2008-2009 biennium, $7.44 million, or 64 percent, has gone toward third-share premium subsidies and the remaining 36 percent, about $4.12 million, has gone to administrative expenses. Until the 2016-2017 biennium, UTMB used 100 percent of its state grant funds for third-share premium assistance and did not use grant funds for administrative expenses.

Figure 8: Program Spending
Administration versus Premium Subsidy

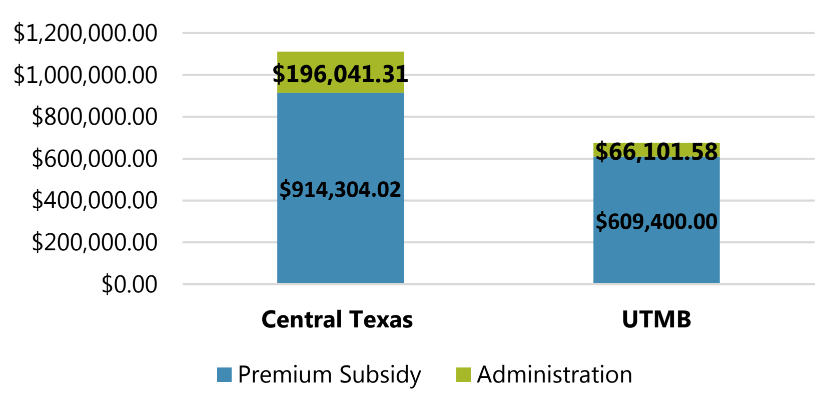


Figure 8 shows the distribution of all grant funding to date used by the two remaining programs for third-share premium subsidy and administration.

Program spending on administration has varied by program over time. Central Texas used state grant funds for administrative expenses in each of the previous five grant periods with about one-third of the program's total grant spending used for administration. UTMB did not use any state grant funds for administration until the 2016-2017 biennium. Only about 11 percent of UTMB's total grant spending has been on administration for FY 2018. State grant funds accounted for about 9.5 percent of UTMB's administrative budget, and 20.6 percent of Central Texas' administrative budget as of August 2018. All programs use state grant funds for 100 percent of third-share subsidy expenses.

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 making set scheduled payments to providing grant funds on a cost-reimbursement basis. TDI has also better defined supporting detail it expects to receive from the programs before it will reimburse them for their costs during the previous month.

Future Funding Projections

The following projections assume no changes are made to PPACA and that the Legislature approves the same amount of funds for this grant for the 2020-2021 biennium.

TDI awarded $4,359,730.84 to the two programs for 2018-2019 biennium. Assuming both programs use all their awarded funds in the current biennium, only $502,093 will carry over to the 2020-2021 biennium, which means that there will be a total of $3,502,093 for awards in the 2020-2021 biennium if the approved funds remain the same. Unless the program receives additional funding from the Texas Legislature during the 2019 session, the programs will need to freeze current membership and, possibly terminate coverage to stay within budget.