

HealthyTexas | Annual Report 2012

**HEALTHY TEXAS
HAS PROVIDED
COVERAGE TO
MORE THAN 16,000
INDIVIDUALS**

Executive Summary

Healthy Texas was created by the Texas Legislature and signed into law by Governor Perry in 2009. Its statutory goals are to

- provide access to quality small employer health benefit plans at an affordable price
- encourage small employers to offer health insurance coverage to employees and their dependents, and
- maximize reliance on proven managed care strategies and procedures.

Healthy Texas was built on the existing employer-based private insurance market and specifically targets small firms that have not provided health insurance. Healthy Texas provides access to comprehensive health insurance at an affordable price because the state's Premium Stabilization Fund covers some of the costs that would otherwise be borne by the health plans. Unlike subsidies, this approach complements and builds upon the competitive power of the marketplace.

Since enrollment began in November 2010, interest in Healthy Texas has been on an upward trajectory with more than 2,500 businesses and 16,000 individuals enrolling in Healthy Texas coverage. As a result, we do not know the full potential capacity for Healthy Texas. So much business interest has been generated and sustained that Healthy Texas reached its enrollment limit of approximately 15,000 employees and their dependents. On August 1, 2012, funding constraints necessitated closure of Healthy Texas to new participants as the program reached maximum enrollment capacity. More than 2,200 groups with more than 13,000 individuals remain actively enrolled.

Seven in ten participating employees earn less than \$33,510 per year, meaning Healthy Texas is providing health coverage to thousands of Texas families who otherwise would have few affordable health insurance choices.

“Without Healthy Texas we may not have been able to offer this wonderful benefit to our employees.”

-Healthy Texas Employer

The Texas Department of Insurance is pleased to report that the initial mission of Healthy Texas has been accomplished. With additional funding, small companies currently enrolled could continue benefits past August 31, 2013, or new firms could enroll to replace those that leave through natural attrition.

This report fulfills the statutory¹ requirement that TDI provide an annual Healthy Texas enrollment update to the Legislature.

Pursuant to the statutory reporting requirement, this report confirms that a limitation on future enrollment is in effect to ensure that Healthy Texas will not require a substantial increase in funding.

Healthy Texas Enrollment

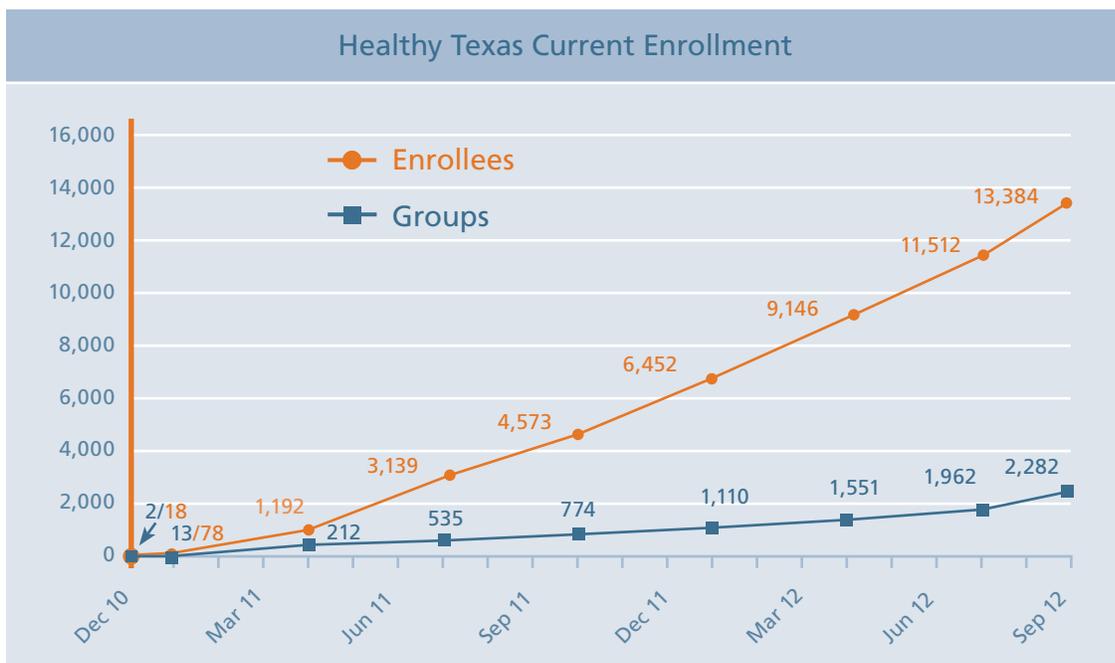
Since enrollment began in November 2010, more than 2,500 businesses and 16,000 individuals have enrolled in Healthy Texas plans, which are similar to commercial health insurance products. More than 2,200 groups with more than 13,000 individuals remain actively enrolled in the coverage.

Enrollment sharply increased after a broad-based marketing campaign began in the summer of 2011. This campaign was designed to support and expand the beneficial role of insurance agents who have direct and personal relationships with small businesses in their respective areas.

The successful marketing efforts, combined with a high degree of consumer satisfaction as measured in a 2012 participant survey, have kept attrition rates low. Because of funding constraints, Healthy Texas enrollment was closed to new businesses on August 1, 2012.

Current Enrollment

2,282 Employers
13,384 Total Enrollees
 8,676 Employees
 4,708 Dependents



¹ Texas Insurance Code - §1508.257(b)

Over time, Healthy Texas enrollment will drop because of natural attrition. With additional funding, two scenarios are possible. Under the first scenario, small businesses currently enrolled in Healthy Texas—and coming up for annual renewal—could remain enrolled for another plan year. The other possibility is that new eligible firms could replace those that leave Healthy Texas, which will never exceed the maximum of 15,000 enrollees. If no additional funding is allocated, actuarial projections indicate that Healthy Texas coverage will end for all enrollees in August 2014.

In addition to employers participating directly in Healthy Texas by purchasing Healthy Texas plans offered by commercial carrier partners, the benefits of the Premium Stabilization Fund became available to small businesses that purchase basic health coverage through the Harris County and Central Texas Three-Share programs beginning in 2012. These locally run health coverage programs offer basic benefits coverage to small businesses in defined geographic areas. The Three-Share programs do not have the same uniform benefits package available through Healthy Texas, nor are they subject to TDI rate reviews.

Healthy Texas was developed to assist uninsured working Texans with a nonsubsidized model that builds on the best features of the commercial health insurance market. The 80th Legislature enacted Senate Bill 10, which directed TDI to recommend ways to make health insurance more accessible to small businesses and their employees.

Based on this legislation and TDI’s extensive six-year study of the small group market, TDI submitted a report to the Legislature in November 2007 recommending a unique state partnership with insurers, agents, and employers with fewer than 50 workers.

The 81st Legislature enacted SB 78 to create Healthy Texas and appropriated \$35 million for the Premium Stabilization Fund. The 82nd Legislature appropriated the unexpended balances through August 31, 2013.

As the following table demonstrates, Healthy Texas targets Texas businesses most in need of additional health insurance options.

| Texas Health Insurance Enrollment | | | | | | |
|-----------------------------------|---------|---------------------|---------------------|---------|--------------------|---------------------|
| | 2010 | | | 2011 | | |
| Private Sector Firms in Texas | Total | Small <51 employees | Large >51 employees | Total | Small <51 employee | Large >51 employees |
| Number of Firms | 475,220 | 329,619 | 145,602 | 452,443 | 320,334 | 132,109 |
| Percent Offering Insurance | 51.0% | 31.4% | 95.3% | 47.1% | 28.4% | 92.3% |

Source: U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey, 2010: meps.ahrq.gov/mepsweb/data_stats/summ_tables/insr/state/series_2/2010/tia2.htm, 2011: meps.ahrq.gov/mepsweb/data_stats/summ_tables/insr/state/series_2/2011/tia2.htm

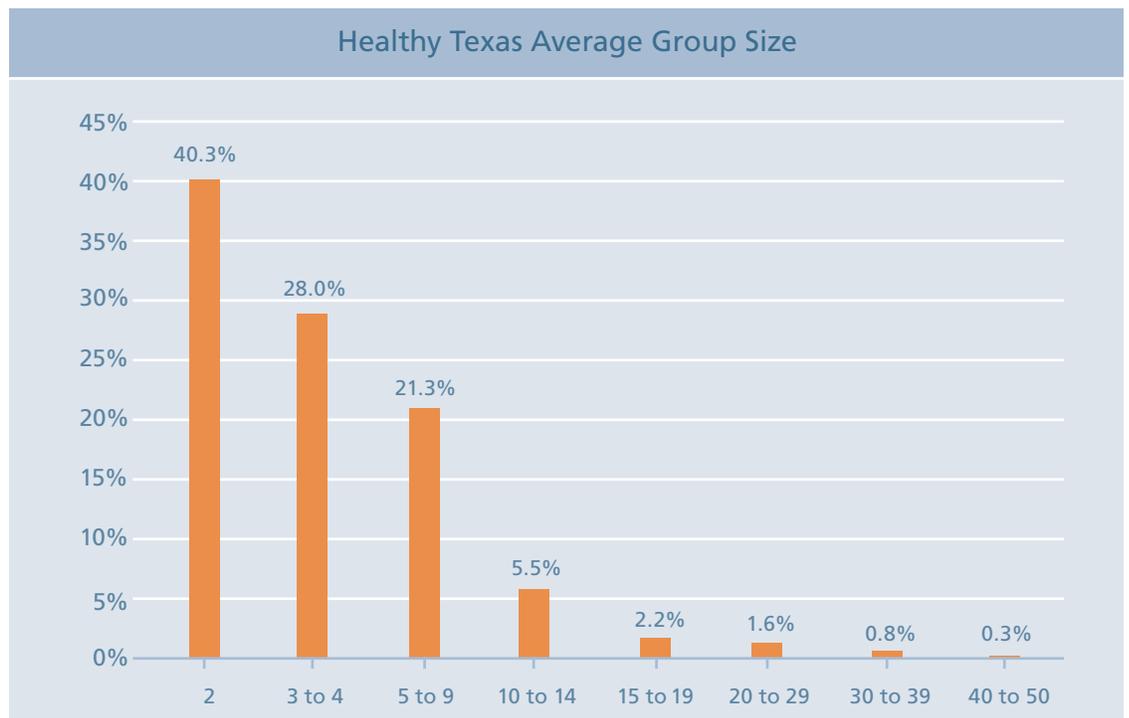
Demographics

More than 2,500 small businesses across the state have chosen to offer Healthy Texas to their employees. While each of the 11 Health and Human Services regions has participating employers and employees, the largest concentrations are, not surprisingly, in the Metroplex and the Houston area.

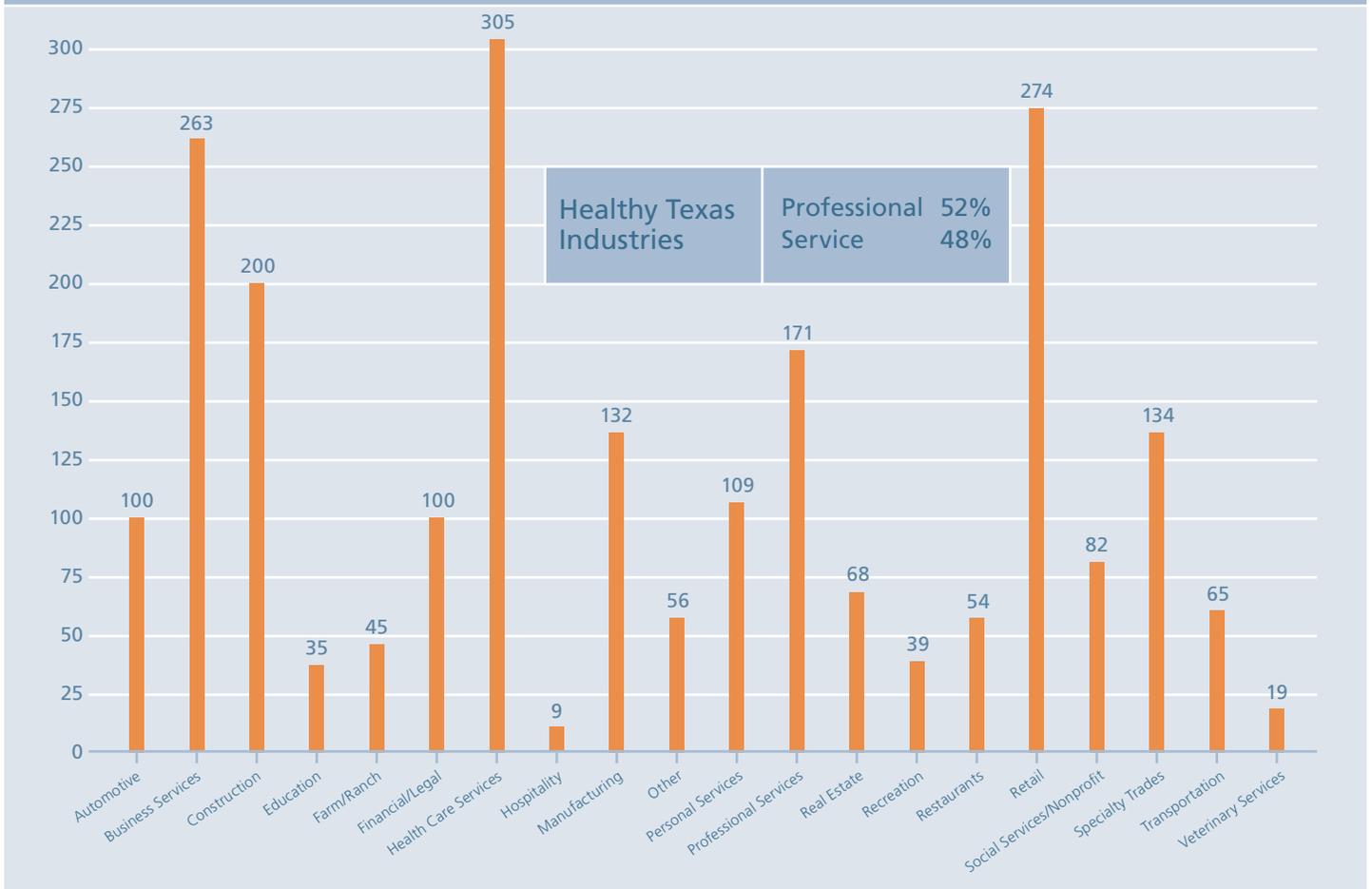
| Location of Enrolled Businesses | | | |
|---------------------------------|---------------------------------|----------------------|-----------------|
| Region | Location of Enrolled Businesses | Percent of Employers | Number Employee |
| 1 | High Plains | 1% | 35 |
| 2 | Northwest Texas | 1% | 24 |
| 3 | Metroplex | 33% | 852 |
| 4 | Upper East Texas | 2% | 51 |
| 5 | Southeast Texas | 2% | 44 |
| 6 | Gulf Coast | 23% | 573 |
| 7 | Central Texas | 15% | 394 |
| 8 | Upper South Texas | 12% | 312 |
| 9 and 10 | West Texas | 3% | 64 |
| 11 | Lower South Texas | 8% | 205 |



Of the previously uninsured businesses that have enrolled in Healthy Texas, 87 percent employ fewer than 10 people. More than 70 percent of participating employees earn less than \$33,510 annually (300 percent of the federal poverty level).



Healthy Texas Businesses by Industry



Of the groups actively enrolled in Healthy Texas, 52 percent fall in the professional category and 48 percent fall in the service category. Employers in the health care services industry make up the largest share of Healthy Texas employers with 20 percent of overall enrollment. These groups include doctors, dentists, optometrists, and other small-scale health care providers.

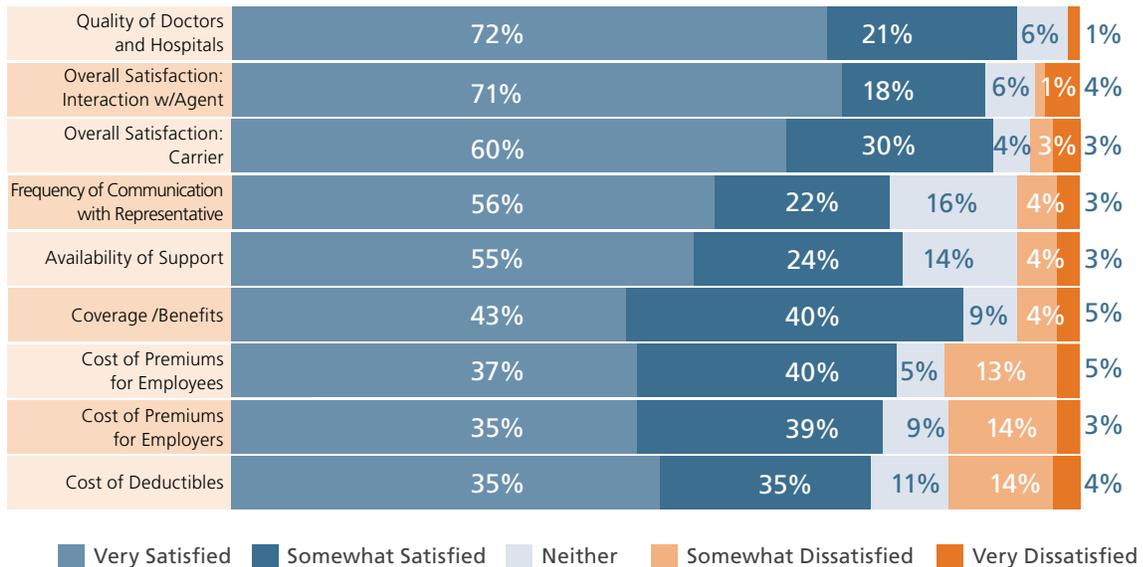
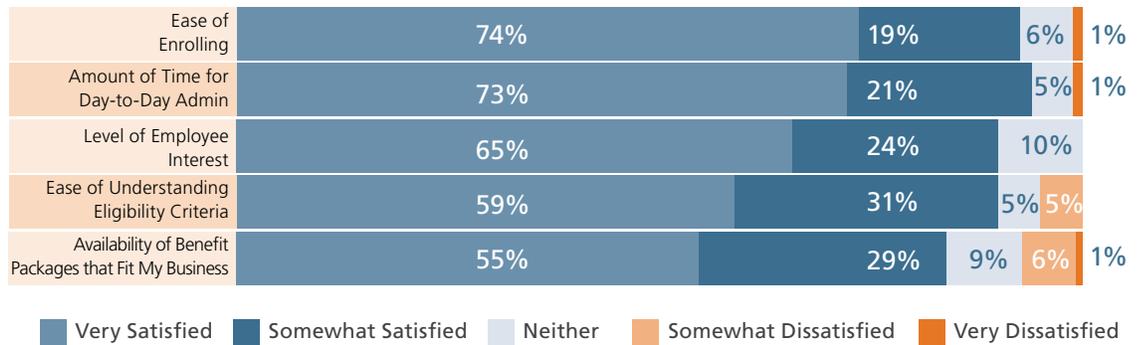
Enrollee Satisfaction



In 2012, TDI commissioned a survey to measure overall employer and employee satisfaction with the program, assess ongoing employer interest, and uncover opportunities for improvement.

Healthy Texas participants were invited to take an online survey over a two-month period. Key findings include

- Two-thirds of employers rated their overall experience with Healthy Texas as “very positive,” and most of the remainder said they were “somewhat positive.”
- More than eight in ten employers had not offered health insurance as a benefit before enrolling in Healthy Texas.
- Affordability was the main reason employers cited for their initial and ongoing interest.



Note: Due to rounding, some totals do not equal 100%.

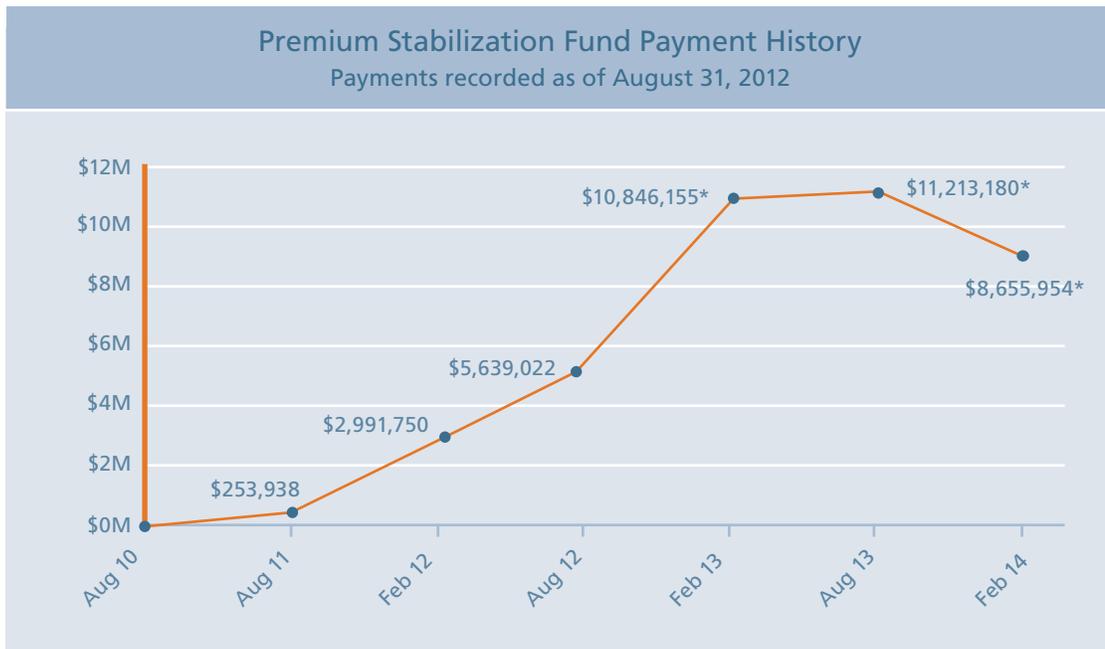
Premium Stabilization Fund

In terms of benefits, cost sharing, and administration, Healthy Texas operates like any private-market health plan. But the monthly premiums are, on average, one-third less than commercial rates because the state Premium Stabilization Fund reimburses insurance carriers for health care claims that fall within statutorily established limits. The table below shows how responsibility for annual health care claims is allocated between the carriers and the Fund.

| Healthy Texas Premium Stabilization Fund | |
|--|--|
| Per Person Annual Claims Costs | Responsibility |
| \$0 - \$5,000 | Private carrier 100% |
| \$5,000 - \$75,000 | Healthy Texas pays 80% Private carrier pays 20% |
| \$75,000 + | Private carrier pays 100% |

Reimbursement out of the Fund to the carriers occurs twice each year. It is based on comprehensive enrollment and cost data the carriers submit to TDI each month. After TDI staff review these data, they are forwarded to the Healthy Texas actuarial firm for further analysis and quality assurance.

The graph below shows the Fund distribution trends since the initial reimbursement payout in August 2011.



* Projected numbers

A Public-Private Partnership

Taking advantage of existing commercial market capacity and infrastructure keeps Healthy Texas administrative costs low. Commercial carriers are responsible for enrollment, benefits administration, and provider reimbursement. Agents perform outreach to individual companies in their communities. An outside marketing firm handles mass marketing and branding.

TDI provides direction and ensures contractor accountability with the help of a small group of dedicated employees and periodic independent empirical studies targeted to key performance indicators.

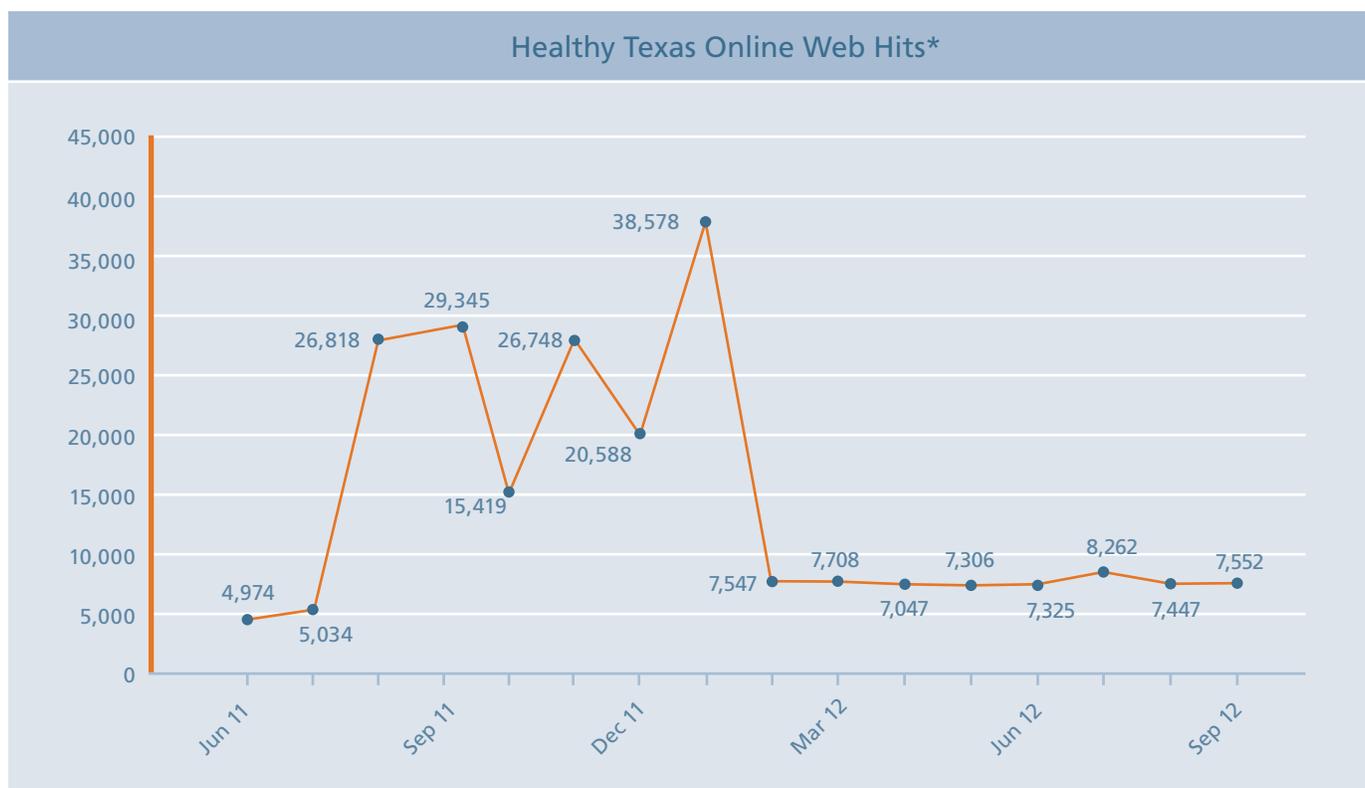
One of those studies is an insurance carrier audit that will review each health plan's methods and quality assurance processes for verifying employer eligibility. The audit will also confirm that health care providers' claims are being processed accurately and paid in a timely manner.

Sherry Matthews Advocacy Marketing is the social marketing firm for Healthy Texas. Prior to designing the Healthy Texas brand and marketing strategy, the firm conducted extensive research to effectively target employers. The research included

- focus groups with employers, employees, and insurance agents
- stakeholder interviews, and
- an online employer survey.

Based on these findings, a statewide marketing campaign began in August 2011 that included advertising through the Internet, print publications, billboards, radio, and television. A second campaign ran October-December 2011. Concurrent with the first campaign, TDI launched the redesigned Healthy Texas website at www.HealthyTexasOnline.com.

The marketing campaigns produced a fivefold increase in website traffic in the first month and further gains the following months.



* Number of visits to www.healthytexasonline.com; includes internal and external hits.

Employer Qualifications

The legislation that created Healthy Texas specifies the types of small businesses that are eligible to participate. These criteria target the kinds of businesses that historically have been the least able to afford health insurance as an employee benefit because of their size and wage scale.

Some of the criteria refer to “eligible employees.” These are people who work at least 30 hours per week; are not seasonal, temporary, or substitute; and who do not have access to group health insurance through another source.

To be eligible to participate in Healthy Texas, a small company must

- have between two and 50 eligible employees
- be located in Texas
- not have provided health insurance as a benefit within the past 12 months prior to applying for Healthy Texas (there are exceptions for employers who offer health plans with relatively few benefits and very low cost)
- pay at least 30 percent of its eligible employees’ wages at or below \$33,510 annually (this figure is 300 percent of the federal poverty level and may change slightly each year)
- get at least 60 percent of its eligible employees to sign up for Healthy Texas
- pay at least 50 percent of the monthly health insurance premium on behalf of each participating employee, and
- offer coverage to dependents of eligible employees.



Benefit Plan Details and Cost



As the following chart illustrates, Healthy Texas offers employers a range of coverage choices with standard benefit plan deductibles ranging from \$500 to \$2,500. Employees are responsible for deductibles, coinsurance, and copayments.

Within each of these benefit plans, participating employees can choose from four tiers, including

- employee
- employee and children, or
- employee and spouse
- family.

Out-of-network costs are not covered except for emergencies that occur outside the coverage area. For adults only, services tied to a preexisting condition diagnosed in the six-month period prior to the start of coverage are excluded for a one-year period. The following benefits are not part of any benefit plan (except as a possible value-added service):

- private duty nursing and home health care
- durable medical equipment and medical supplies/prosthetics
- dental services, and
- glasses/contacts.

Except for the Health Savings Account (HSA), the benefit plans are named in relation to the annual deductibles. As the amount of the deductible rises, the associated premium rate falls.

| Healthy Texas Plans | | | | | |
|--|---|----------------------------|---|---|---|
| Plan Basics | Healthy Texas 500 Plan | Healthy Texas 1500 Plan | Healthy Texas 2000 Plan | Healthy Texas 2500 Plan | Healthy Texas HSA Plan |
| Annual Deductible | \$500 (3x for family) | \$1,500 (3x for family) | \$2,000 (3x for family) | \$2,500 (3x for family) | \$2,500 (ind.) \$5,000 (family) |
| Coinsurance | 20% | 20% | 20% | 30% | 20% |
| Out-of-Pocket Maximum (Including Deductible)* | \$2,000 | \$3,000 | \$4,000 \$10,000 (family) | \$5,000 | \$2,500 (ind.) \$5,000 (family) |
| Annual Maximum Benefit per Person | \$2,000,000 | \$2,000,000 | \$2,000,000 | \$2,000,000 | \$2,000,000 |
| Hospital Benefits | Healthy Texas 500 Plan | Healthy Texas 1500 Plan | Healthy Texas 2000 Plan | Healthy Texas 2500 Plan | Healthy Texas HSA Plan |
| Inpatient Hospital (IP) Stay | Subject to deductible/coinsurance | | | | |
| Outpatient (OP) Hospital Surgery | Subject to deductible/coinsurance | | | | |
| Hospital Outpatient Radiology/Pathology and Diagnostic Tests | Subject to deductible/coinsurance | | | | |
| Emergency Room Visits | \$125 copayment (waived if admitted) | | \$200 copayment (waived if admitted) | \$250 copayment (waived if admitted) | Deductible then \$250 copayment (waived if admitted) |
| Maternity | Subject to deductible/coinsurance | | | | |
| Skilled Nursing Facility | Subject to deductible/coinsurance | | | | |

| Other Services | Healthy Texas 500 Plan | Healthy Texas 1500 Plan | Healthy Texas 2000 Plan | Healthy Texas 2500 Plan | Healthy Texas HSA Plan |
|-------------------------------|--|-------------------------|-------------------------|-------------------------|------------------------------|
| Ambulance | Subject to deductible/coinsurance | | | | |
| Prescription Drugs | Healthy Texas 500 Plan | Healthy Texas 1500 Plan | Healthy Texas 2000 Plan | Healthy Texas 2500 Plan | Healthy Texas HSA Plan |
| Deductible | \$200 | \$500 | \$500 | \$500 | Annual Deductible |
| Generic Copayment | \$10 | \$10 | \$10 | \$15 | Annual Deductible, then \$10 |
| Brand Copayment Formulary | \$25 | \$25 | \$35 | \$45 | Annual Deductible, then \$50 |
| Brand Copayment Non-formulary | \$50 | \$50 | \$60 | \$80 | Annual Deductible, then \$75 |
| Mail-order Copayment | 90-day supply generic and brand for two times retail copayment | | | | |
| Generic Penalty | Waived if dispensed as written | | | | |

* Copayments do not accumulate toward the out-of-pocket maximum.

Prescription drugs are not included in the out-of-pocket maximum except in the health savings account plan.

Healthy Texas carriers are only allowed to consider as rating factors the ages and genders of the participating employers and the geographic location of the business. Employers must pay at least 50 percent of the premium for each employee who chooses to participate (regardless of the tier an employee selects).

| Average Healthy Texas Total Premium | | | | |
|-------------------------------------|----------|----------|------------|------------|
| Benefit Plan | Employee | + Spouse | + Children | + Family |
| HT 500 | \$354.93 | \$769.44 | \$647.93 | \$1,132.66 |
| HT 1500 | \$330.96 | \$728.85 | \$611.22 | \$1,079.38 |
| HT 2000 | \$322.26 | \$704.20 | \$601.27 | \$1,043.69 |
| HT 2500 | \$306.12 | \$665.78 | \$563.62 | \$ 983.47 |
| HT HSA | \$312.23 | \$676.43 | \$571.28 | \$ 998.24 |
| Averages Across All Plans | \$326.06 | \$712.80 | \$601.32 | \$1,053.31 |

