
HealthyTexas

Annual Enrollment Report

December 2013



Submitted by
The Texas Department of Insurance

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EXECUTIVE SUMMARY

“ ... Healthy Texas has provided health coverage to thousands of Texas families who otherwise would have had few affordable health insurance choices. ”

The Texas Legislature created Healthy Texas to provide small employers more affordable options for offering health insurance to their employees. With input from the small business community and research conducted by the Texas Department of Insurance, lawmakers developed a bill, which Governor Perry signed into law in 2009, designed 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 procedures¹.

Healthy Texas has targeted small employers with lower income employees that had not recently provided health insurance as a benefit. Healthy Texas offered coverage within the employer-based private insurance market through a partnership with two commercial insurance carriers, Celtic Insurance and United Healthcare. The state-funded Premium Stabilization Fund (PSF) has covered some of the costs that would otherwise be borne by the health plans, allowing carriers to offer comprehensive health insurance at a more affordable price.

More than 20,000 individuals employed by more than 2,500 small employers have received health insurance coverage under Healthy Texas since enrollment began in November 2010. Because of funding constraints, TDI closed Healthy Texas to new groups after August 1, 2012. Despite not adding new groups for more than one year, Healthy Texas continued to have 1,834 employers with more than 11,500 employees and dependents actively enrolled. Healthy Texas currently has enough funding to allow employers with renewal dates on or before December 1, 2013, to renew Healthy Texas coverage for one final plan year.

Key Healthy Texas Measures

20,391	<i>Texans enrolled in Healthy Texas</i>
2,554	<i>Small businesses offered coverage</i>
90%	<i>Have 10 or fewer employees</i>

Since its inception, Healthy Texas has enrolled employers in all 11 of the state's Health and Human Services geographic regions, and in 136 Texas counties. Almost seven in 10 participating employees earn less than \$34,470 per year, meaning Healthy Texas has provided health coverage to thousands of Texas families who otherwise would have had few affordable health insurance choices. Plans are available at four deductible levels ranging from \$500 to \$2,500 and a Health Savings Account (HSA) plan. Twenty-eight percent of employers selected a Healthy Texas plan with a \$1,500 deductible, making it the most popular. Employers of all sizes from two to 50 employees and in industries ranging from health care (including doctors, dentists, optometrists, and home health providers) to retail have participated in Healthy Texas.

¹ Texas Insurance Code - Section 1508.001

INTRODUCTION

The 81st Texas Legislature enacted Senate Bill (SB) 78 in 2009 creating Healthy Texas as a vehicle to encourage small employers with low-wage workers to offer health insurance coverage by developing affordable plans and building on the features of the commercial health insurance market. Healthy Texas was the culmination of SB 10, a directive from the 80th Legislature for the Texas Department of Insurance to study and recommend ways to make health insurance more accessible to small businesses and their employees.

The report TDI submitted to the Legislature in November 2008 recommended a unique state partnership with insurers, agents, and employers with 50 or fewer workers. The recommendations grew out of the SB 10 study and an extensive six-year study of the small employer health insurance market.²

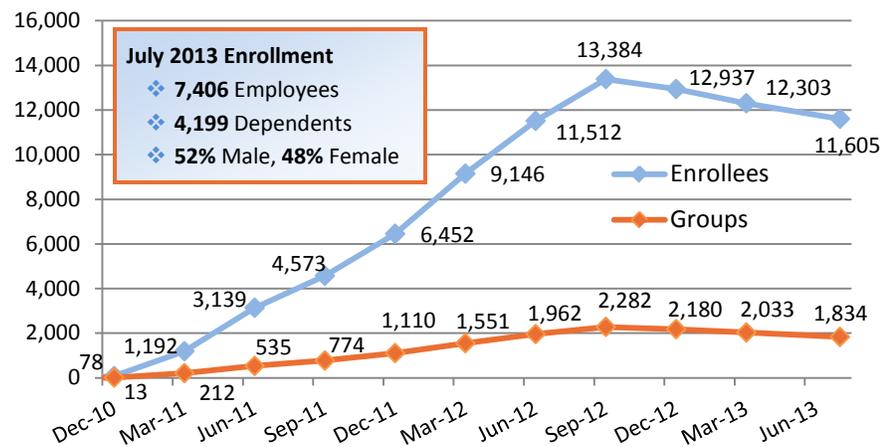
The 81st Legislature appropriated \$35 million for the PSF, and the 82nd Legislature extended the unexpended balances from the original appropriation through August 31, 2013. TDI contracted with two private health insurance carriers, Celtic Insurance and United Healthcare, following a competitive bid process, to begin offering more affordable commercial insurance products to small employers in November 2010. The PSF helped to offset claims costs typically borne by the insurers so premiums would be lower.

This report fulfills the statutory³ requirement that TDI provide an annual Healthy Texas enrollment update to the Legislature to ensure enrollment has not exceeded the available funding. Additionally, 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

Two health insurance carriers contracted with TDI to offer uniform Healthy Texas benefit plans to small employers across the state. They began enrolling employers in Healthy Texas plans in November 2010, and enrollment grew

Figure 1: Healthy Texas Active Enrollment



steadily through August 1, 2012, when TDI suspended enrollment to new groups. Since enrollment began, Healthy Texas has covered more than 2,500 small employers and 20,000 individuals. At its peak in late 2012, the program had 2,310 active small employers and 13,420 covered lives. More than 1,800 groups with more than 11,500 individuals remain actively enrolled in the coverage. Figure 1 shows a summary of active enrollment.

² <http://www.tdi.texas.gov/reports/life/documents/hlthytxph1rpt08.pdf>

³ Texas Insurance Code – Section 1508.257(b)

In May 2012, TDI also approved applications from two regional and local health care programs, known as three-share programs, to access the benefits of the Healthy Texas PSF for basic health coverage for small employers. The three-share programs served small employers in the Harris County and the Central Texas regions. These locally run health coverage programs offer basic 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.

Initially, TDI built relationships with chambers of commerce, nonprofits, and trade associations across the state, including the Texas Association of Business, to spread the word about Healthy Texas. TDI also worked alongside government agencies including the U.S. Small Business Administration, the Texas Department of Transportation, the Office of the Governor, and the Texas Workforce Commission.

Enrollment sharply increased after the summer of 2011, when Healthy Texas began a broad-based marketing campaign. The campaign supported and expanded the work of insurance agents, who have direct and personal relationships with small businesses in their respective areas. During the campaign, carriers reported a 20 percent increase in quote volume.

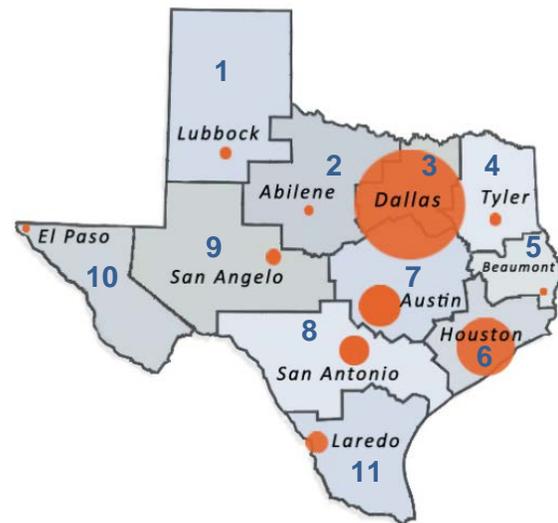
The successful marketing efforts, combined with a high degree of consumer satisfaction as measured in a 2012 participant survey, have kept attrition rates low. About 11 percent of employers terminated coverage during the plan year since the inception of Healthy Texas. Nearly 89 percent of employers still enrolled in coverage at the group’s renewal date have elected to renew coverage.

Demographics

Table 1: Healthy Texas Employers by Region

Location of Enrolled Businesses	Percent of Employers	Number of Employers
High Plains (Region 1)	1%	36
Northwest Texas (Region 2)	1%	24
Metroplex (Region 3)	33%	852
Upper East Texas (Region 4)	2%	51
Southeast Texas (Region 5)	2%	43
Gulf Coast (Region 6)	23%	573
Central Texas (Region 7)	15%	394
Upper South Texas (Region 8)	12%	312
West Texas (Regions 9 and 10)	3%	64
Lower South Texas (Region 11)	8%	205

Figure 2: Map of Texas Regions



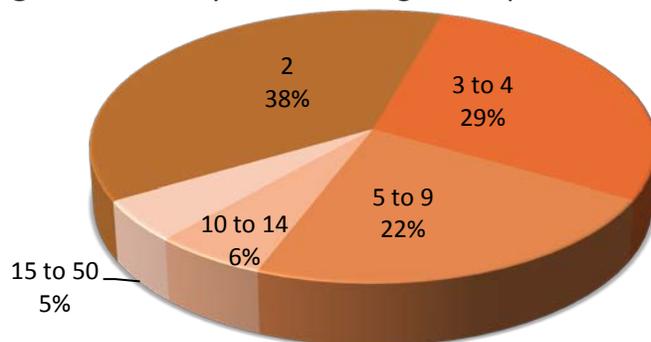
Because of strategic outreach and marketing efforts, Healthy Texas succeeded in attracting a wide range of employers from across the state. As shown in Table 1 and Figure 2, more than 2,500 small employers from all 11 Health and Human Services regions enrolled employees in Healthy Texas during the past three years. Most Healthy Texas employers were located in the Metroplex and the Houston area.

Eighty-three percent of employers enrolled in Healthy Texas were in the four major metropolitan areas

- Austin
- Dallas and Fort Worth
- Houston, and
- San Antonio.

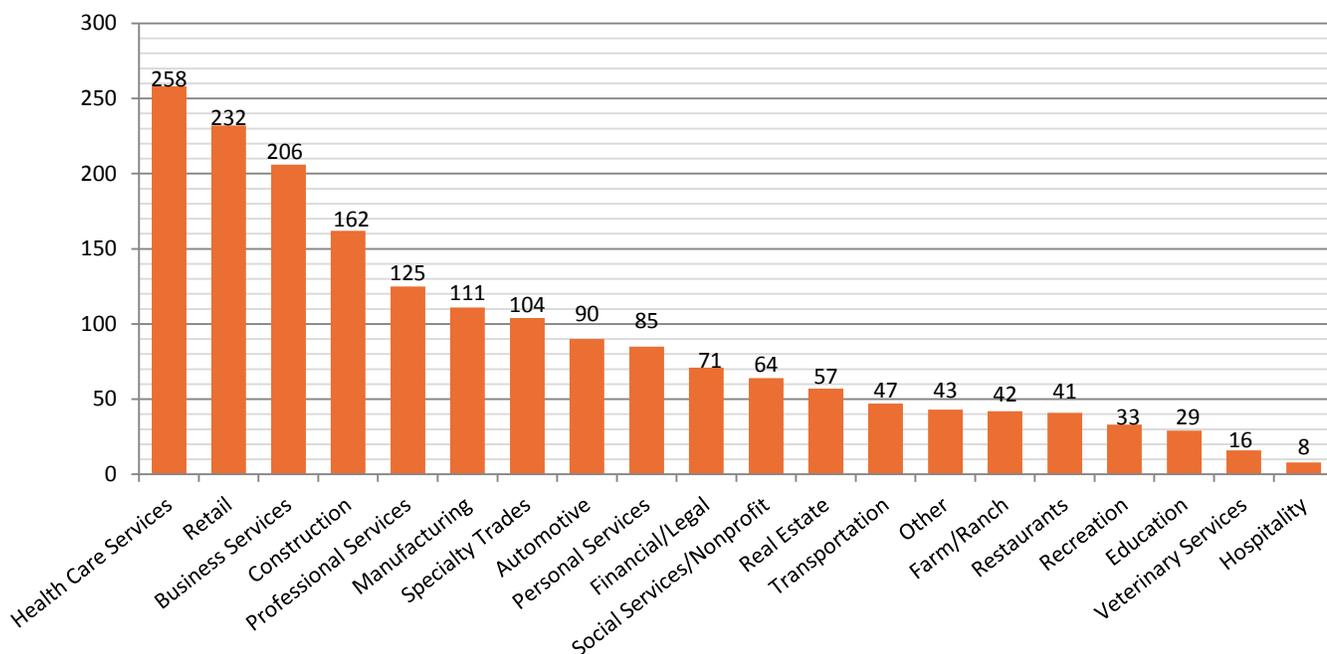
Previously uninsured small employers of all sizes opted to offer Healthy Texas plans, including the smallest with two employees to those with 50 eligible employees. However, almost 90 percent of businesses actively enrolled in Healthy Texas employ fewer than 10 people and most groups have between two and four employees, as shown by Figure 3. About 70 percent of active employees earn less than \$34,470 annually (300 percent of the federal poverty level).

Figure 3: Healthy Texas Average Group Size



Small businesses provide a diverse array of products and services across Texas. The businesses enrolled in Healthy Texas reflect this diversity. Healthy Texas employers include libraries, ranches, craft breweries, physician offices, and restaurants among many others. Of the groups actively enrolled in Healthy Texas, 51 percent fall in the professional category and 49 percent fall in the service category. Figure 4 shows the industry types for active Healthy Texas employers. Health care service providers have consistently encompassed the largest industry segment in Healthy Texas, accounting for about 14 percent of all active employers. Among these employers are pediatricians, family medicine clinics, hearing specialists, home health providers, and other employers serving the health and wellness needs of Texans.

Figure 4: Businesses by Industry Type



Enrollment suspension and conclusion

When the Legislature appropriated state funding for the Healthy Texas PSF, it gave TDI the authority to suspend enrollment to new groups if new enrollment was likely to result in expenditures that exceed the funds available.⁴ Based on the actuarial analysis of PSF distributions, reported claims trends, and funding available in the PSF, TDI suspended new enrollment in Healthy Texas after August 1, 2012. All Healthy Texas plans renew at the first of each month, and all employers currently enrolled in Healthy Texas with renewal dates on or before December 1, 2013, will be able to renew coverage for one final plan year. Healthy Texas will not reopen for new enrollment. TDI is working with Healthy Texas carriers to develop communications about other health insurance options for businesses with anniversary dates on or after January 1, 2014.

HEALTHY TEXAS BACKGROUND

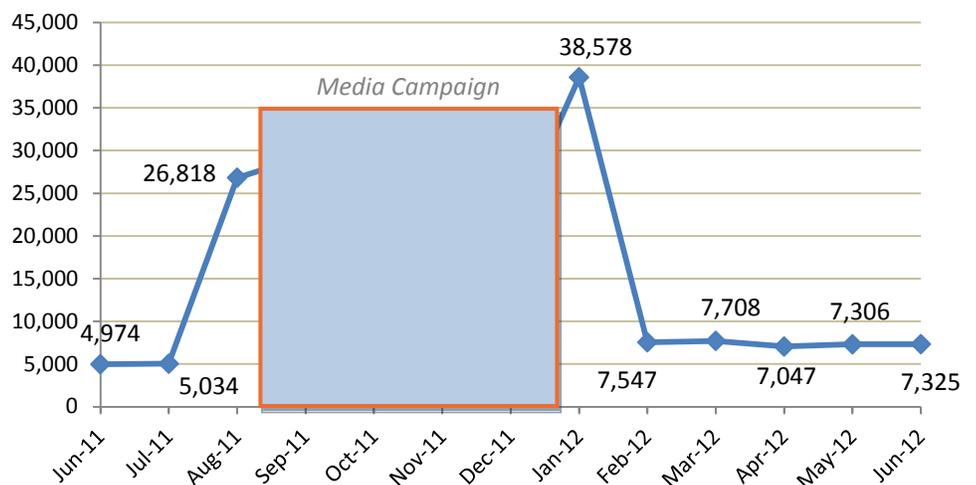
The legislation that created Healthy Texas leveraged the expertise of private health insurance carriers and the power of the competitive marketplace to offer an alternative for small employers seeking affordable coverage. It established eligibility criteria designed to target employers that had historically been the least able to afford coverage. TDI also developed uniform Healthy Texas benefit plans to ensure employers could access quality, comprehensive coverage regardless of the carrier selected.

Public-private partnership

Healthy Texas is able to keep administrative costs low because it uses the existing capacity of the commercial carrier partners. Commercial carriers are responsible for enrollment, benefits administration, and provider reimbursement. Agents perform outreach to individual companies in their communities. An outside marketing firm handled branding and a large-scale marketing campaign.

TDI provides direction, ensures contractor accountability, tracks enrollment, monitors claims, and manages distributions from the PSF with a small group of dedicated employees. TDI also directs periodic independent empirical studies targeted to key performance indicators, including an employee satisfaction survey and insurance carrier audit described later in this report. Healthy Texas also enlisted the services of Sherry Matthews Advocacy Marketing, a social marketing firm, to develop an effective outreach plan. The firm conducted extensive research to target employers effectively, which included focus groups with employers, employees, and insurance agents, stakeholder interviews, and an online

Figure 5: Healthy Texas Web Hits from Media Campaign



⁴ Texas Insurance Code - Section 1508.258

employer survey. It developed two statewide marketing campaigns to spread the word about Healthy Texas through the Internet, print publications, billboards, radio, and television between August and December 2011. TDI also launched the redesigned Healthy Texas website at www.HealthyTexasOnline.com and examples of the television and radio ads are available at <http://www.healthytexasonline.com/media/index.html>. The marketing campaigns produced a fivefold increase in website traffic in the first month and further gains the following months.

Employer qualifications

When the Legislature designed Healthy Texas, it tailored eligibility criteria to target the small businesses that historically have been the least able to afford health insurance as an employee benefit because of their size and wage scale. The aim was to attract employers that had not offered coverage recently and to limit disruption in the market for employers who were already offering coverage.

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

Per the enabling legislation, an employer eligible for Healthy Texas must meet the following criteria:

- 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, except 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 \$34,470 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.

Groups renewing their Healthy Texas coverage through December 2013 must meet these eligibility criteria to renew coverage.

Plan benefits and cost

Healthy Texas offers employers a range of coverage choices with standard benefit plan deductibles ranging from \$500 to \$2,500 in addition to a HSA plan. Employees are responsible for deductibles, coinsurance, and copayments. When employees elect coverage, they can choose coverage for the employee only, employee and children, employee and spouse, or family.

Some services are not covered. For example, out-of-network costs are not covered except for emergencies that occur outside the coverage area. Adults without prior creditable coverage are not covered in the first year for any condition diagnosed in the six-month period prior to the start of coverage. 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 or prosthetics
- dental services, and
- glasses or contacts.

Each benefit plan except for the HSA is named for the deductible level. Plan prices are dependent upon the deductible level, with lower deductibles having higher premiums and vice versa. Table 2 outlines covered services on Healthy Texas plans.

Table 2: Healthy Texas covered services

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 (2x for family)
Coinsurance	20%	20%	20%	30%	20%
Out-of-Pocket Maximum (Including Deductible)*	\$2,000	\$3,000	\$4,000	\$5,000	\$2,500 (2x for 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 (IP) Hospital Stay	Subject to deductible, coinsurance				
Outpatient (OP) Hospital Surgery	Subject to deductible, coinsurance				
Hospital OP 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	Included with IP hospital benefits				
Physician Benefits in Inpatient (IP) or Outpatient (OP) Facility	Healthy Texas 500 Plan	Healthy Texas 1500 Plan	Healthy Texas 2000 Plan	Healthy Texas 2500 Plan	Healthy Texas HSA Plan
IP Hospital Care	Subject to deductible, coinsurance				
OP Hospital Care	Subject to deductible, coinsurance				
Radiology or Pathology	Subject to deductible, coinsurance				
Physician Benefits in Office	Healthy Texas 500 Plan	Healthy Texas 1500 Plan	Healthy Texas 2000 Plan	Healthy Texas 2500 Plan	Healthy Texas HSA Plan
Physician Office Visit Limit and Copayments	\$25 copayment (except for certain preventive services)		Copayments: \$20 for primary care provider (PCP), \$40 for specialist (except for certain preventive services)	Copayments: \$25 for primary care provider (PCP), \$50 for specialist (except for certain preventive services)	Subject to deductible and coinsurance (except for certain preventive services)

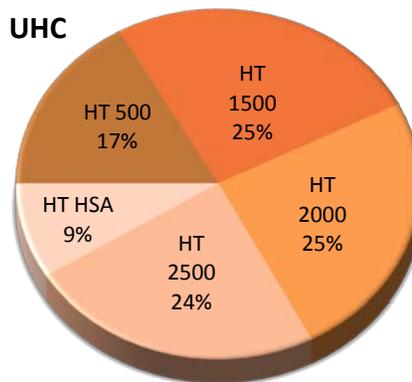
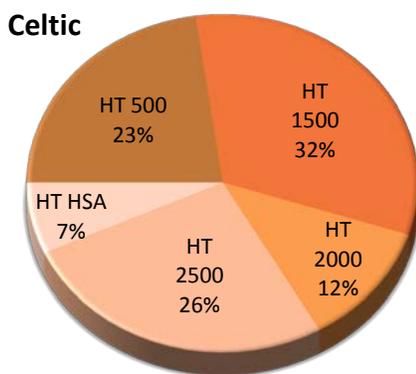
Physician Benefits in Office (continued)	Healthy Texas 500 Plan	Healthy Texas 1500 Plan	Healthy Texas 2000 Plan	Healthy Texas 2500 Plan	Healthy Texas HSA Plan
Types of Visits Included	<ul style="list-style-type: none"> • Office and Home Visits • Well-Baby Exams • Physical Exams • Consults • Physical Therapy 				
Urgent Care Visits	\$50 copayment			\$75 copayment	Subject to deductible, coinsurance
Maternity	\$25 for initial prenatal visit		\$20 for initial prenatal visit	\$25 for initial prenatal visit	Subject to deductible, coinsurance
Immunizations (Adult and Children)	Covered at 100%				
Radiology and Pathology Performed in Office Setting	Subject to deductible, coinsurance				
Miscellaneous Medical Services, Including Therapeutic Injections, Allergy Testing, Allergy Immunotherapy, Cardiovascular, and Other	Subject to deductible, coinsurance				
Psychiatric and Substance Abuse Services	Healthy Texas 500 Plan	Healthy Texas 1500 Plan	Healthy Texas 2000 Plan	Healthy Texas 2500 Plan	Healthy Texas HSA Plan
IP	Subject to deductible, coinsurance Unlimited days per year				
OP	\$25 copayment Unlimited visits per year		\$20 copayment Unlimited visits per year	\$25 copayment Unlimited visits per year	Subject to deductible, coinsurance Unlimited visits per year
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 - Nonformulary	\$50	\$50	\$60	\$80	Annual deductible, then \$75
Mail Order Copayment	90-day supply generic and brand for 2x 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.

In addition to deductible level, Healthy Texas premiums are based on the geographic location of the business, the ages of participating employees, and the genders of participating employees. To be eligible for coverage, employers must pay at least 50 percent of the premium for each employee who chooses to participate (whether the plan covers dependents or not). The employer is not required to contribute to the premium for dependents. The cost of each plan varies depending on the deductible level and coverage tier. Table 3 shows the average cost of coverage by plan type and coverage tier.

Table 3: Average Healthy Texas Total Premium

Benefit Plan Type	Employee	+ Spouse	+ Children	+ Family
HT 500	\$393.96	\$851.17	\$718.63	\$1,257.87
HT 1500	\$365.30	\$788.32	\$670.63	\$1,172.30
HT 2000	\$354.77	\$773.66	\$662.40	\$1,144.59
HT 2500	\$331.39	\$721.34	\$606.44	\$1,063.22
HT HSA	\$348.09	\$753.52	\$641.53	\$1,108.90
Averages All Plans	\$358.65	\$777.58	\$659.65	\$1,150.32



Overall, the most popular plans among active employees are the \$1,500 and \$2,500 deductible plans, covering 58 percent and 49 percent of active groups, respectively, as shown in Figure 6. Thirty-two percent of Celtic’s active groups and 25 percent of United Healthcare’s groups are enrolled in the \$1,500 deductible plan, making it the most popular plan for each carrier. Most groups (85

percent) that renewed coverage with Healthy Texas have chosen to renew with the same plan. Thirteen percent of renewing groups selected a plan with a higher deductible than the previous year and two percent selected a plan with a lower deductible.

PREMIUM STABILIZATION FUND

Healthy Texas plan benefits and cost sharing are similar to other commercial plans; however, they cost, on average, one-third less than comparable commercial plans because of the state PSF. Healthy Texas uses the PSF to reimburse contracted insurance carriers for paid health care claims for Healthy Texas enrollees that fall within

Per Person Annual Claims Costs	Responsibility
\$0 - \$5,000	Private insurer pays 100%
\$5,000 - \$75,000	Healthy Texas pays 80% Private insurer pays 20%
\$75,000 +	Private insurer pays 100%

statutorily established limits. The carrier covers 100 percent of all claims costs outside of the defined limits, or claims corridor, but Healthy Texas has reimbursed carriers from the PSF for 80 percent of claims paid within the corridor. Table 4 shows the claims eligible for PSF reimbursement and the claims the insurer must cover.

TDI made five PSF payments to each carrier for claims paid between January 2011 and June 2013. With all enrollments in Healthy Texas ending by November 30, 2014, TDI anticipates making three more distributions, with the final distribution exhausting the PSF early in 2015. TDI combined state appropriations with federal grant funds from the State Health Access Program to maximize the PSF, allowing for more enrollments. Figure 7 shows the PSF distributions and includes projections for the final three payments and Figure 8 shows the balance remaining in the PSF after each payment.

Figure 7: PSF Payments

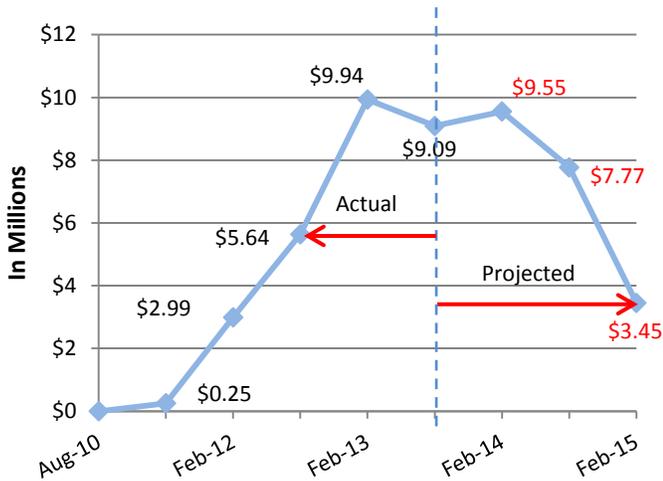
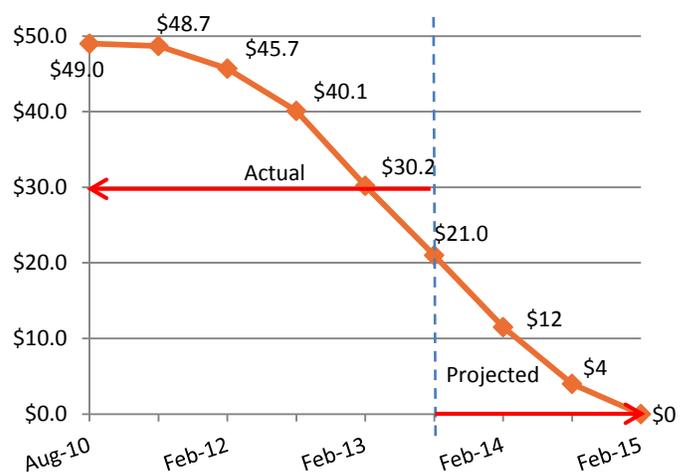


Figure 8: PSF Balance



EVALUATION

Throughout the course of Healthy Texas, TDI staff monitored enrollment and worked to meet the needs of enrollees, agents, and carriers. During that time, TDI continually evaluated the performance of participating carriers and responded to multiple inquiries from consumers and agents. Additionally, TDI enlisted partners to conduct independent evaluations of Healthy Texas. In 2012, TDI commissioned a marketing firm to conduct an online survey to measure overall employer and employee satisfaction with the program, assess ongoing employer interest, and uncover opportunities for improvement. In 2013, TDI also contracted with an auditing firm to conduct a performance audit of the Healthy Texas carriers.

Enrollee satisfaction

During the period from April to June of 2012, TDI commissioned its marketing firm to conduct an online survey of Healthy Texas participants. The survey was designed to assess satisfaction among small business decision makers and individual employees about key components such as cost, communication, and coverage.

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 10 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.

Table 5: Employee Satisfaction Survey Results	Very Satisfied	Somewhat Satisfied	Neither	Somewhat Dissatisfied	Very Dissatisfied
Ease of Enrolling	74%	19%	6%	0%	1%
Amount of Time for Day-to-Day Administration	73%	21%	5%	0%	1%
Level of Employee Interest	65%	24%	10%	0%	0%
Ease of Understanding Eligibility Criteria	59%	31%	5%	5%	0%
Availability of Benefit Packages that Fit My Business	55%	29%	9%	6%	1%
Quality of Doctors and Hospitals	72%	21%	6%	0%	1%
Overall Satisfaction: Interaction with Agent	71%	18%	6%	1%	4%
Overall Satisfaction: Carrier	60%	30%	4%	3%	3%
Frequency of Communication with Representative	56%	22%	16%	4%	3%
Availability of Support	55%	24%	14%	4%	3%
Coverage and Benefits	43%	40%	9%	4%	5%
Cost of Premiums for Employees	37%	40%	5%	13%	5%
Cost of Premiums for Employers	35%	39%	9%	14%	3%
Cost of Deductibles	35%	35%	11%	14%	4%

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

Healthy Texas carrier audit

The independent audit of Healthy Texas carriers covered the period from the beginning of Healthy Texas enrollment in November 2010 until December 2012. The auditors assessed each carrier's performance in four areas:

- Healthy Texas eligibility verification
- premium rate reporting
- claims and data systems, and
- PSF invoicing.

Overall, the audit determined the carriers performed well and reported data accurately. The auditors found that carrier reporting of premium rates and claims data for PSF invoicing was complete and accurate. In a few cases, auditors identified potential issues in the eligibility verification process at the carrier level. In general, the audit of detailed claims data found carriers reported accurately.

Lessons learned

As with any innovative initiative, TDI learned lessons throughout the implementation of Healthy Texas that can inform future public-private partnerships. Interactions with its partners provided TDI with a greater understanding of the expertise and capacity of private insurance carriers in developing rates, claims reporting, and eligibility verification. The overall satisfaction rate among members and consistent feedback from the employer and insurance agent communities demonstrates that this initiative successfully provided a Texas-designed option for affordable health insurance for Texas small employers.

