TEXAS DEPARTMENT OF INSURANCE

# Three-Share Premium Assistance Programs

Report on Rider 14, Title VIII,
83rd Legislature, Regular Session, 2013

Submitted December 2014

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## EXECUTIVE SUMMARY

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

**Table 1:** Total State Administered Grant Funds*

| Three-Share Grant Period | Total Grants |
|---|---|
| 2008-2009 Biennium | $624,638 |
| 2010-2011 Biennium | $3,212,039 |
| 2012-2013 Biennium | $1,358,289 |
| 2014-2015 Biennium** | $1,003,791 |
| **Total** | **$6,198,758** |

* Includes TDI and HHSC administered grant funds
** Amount paid through October 31, 2014

The Legislature directed the Texas Department of Insurance to administer these grants. 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 conducted a competitive application process to award grants funded by General Revenue Funds and fines, penalties, and sanctions (fines) collected by TDI. While legislative funding has remained consistent over time, funding based on fines has varied depending upon annual collections. In each fiscal year of the current biennium, up to $1.5 million in grant funds comes from fines collected from entities regulated by TDI, except for fines related to workers' compensation insurance.[2] In prior biennia, funding based on fines was restricted to fines TDI collected from health insurers. In FY 2014, fines from all regulated entities generated the full $1.5 million allowed. Through the first two months of FY 2015, TDI has collected $613,307 from fines to regulated entities. TDI expects that fines from all regulated entities will be a more stable funding source for these programs.

Initially, six diverse regions of the state sought to implement programs; however, three programs have closed since FY 2008. Another program had to suspend enrollment for a period in 2013, terminating existing members while it re-evaluated its model of operation. These programs have struggled to secure matching local funds when faced with the previously inconsistent state funding mentioned above. In addition, a joint audit between TDI and HHSC discovered grant accounting and financial management problems among several programs.

In light of changes in the health insurance marketplace under the Patient Protection and Affordable Care Act (PPACA), two of the three currently operating three-share programs are changing their models to facilitate the purchase of individual commercial coverage by employees rather than providing coverage directly and bearing the risk for claims. The other program is seeking to maintain current enrollment as it evaluates the effects of the PPACA.

[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).

# OVERVIEW

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

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

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

## SUMMARY OF GRANT AWARDS

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

### Grantee Selection Process

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

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

An evaluation team comprised of subject matter experts from several TDI divisions, evaluated applications against criteria described in the RFA, including the four areas above. Based on experience and audit findings described later in this report, TDI requested additional details around the applicants' governance structure, performance metrics, and financial management practices in the 2012-2013 and the 2014-2015 biennia. For the 2014-2015 grants, applicants applied independently, but responses were substantially more complete and required minimal clarifications.

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

## Summary of Historical Grant Funding

Since TDI began providing grants to three-share premium assistance programs in the 2008-2009 biennium, TDI has paid more than $4.9 million in grants to all programs combined. HHSC also provided an additional $1.27 million from a federal State Health Access Program (SHAP) grant. Grantees directed funds from both grants toward third-share premium assistance and for program administration. Table 2 shows the distribution of grant funds paid to each grantee through October 31, 2014.

**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** | HHSC SHAP | TOTAL |
|---|---|---|---|---|---|---|
| TexHealth Central Texas | $147,500 | $887,548 | $327,751 | $491,400 | $829,777 | **$2,683,976** |
| TexHealth Harris County | $147,500 | $448,866 | $51,643 | $315,141 | $288,059 | **$1,251,210** |
| TexHealth El Paso | $186,685 | $197,281 | Closed | Closed | N/A | **$383,966** |
| TexHealth North Texas | $142,953 | $341,745 | Closed | Closed | $12,900 | **$497,598** |
| TexHealth Brazos Valley | N/A | $285,271 | $99,502 | Closed | $138,053 | **$522,826** |
| UTMB Multi-Share Plan | N/A | $387,072 | $274,860 | $197,250 | N/A | **$859,182** |
| **Total** | **$624,638** | **$2,547,783** | **$753,756** | **$1,003,791** | **$1,268,789** | **$6,198,758** |

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

**Paid through October 31, 2014.

In the 2008-2009 biennium, the 80th Legislature appropriated $300,000 in 2008 and $450,000 in 2009 for grants and costs associated with TDI's administration. At that time, the Galveston Three-Share Plan through the University of Texas Medical Branch (UTMB) was the only three-share premium assistance program in operation. Funded in part through a grant from the Houston Endowment Inc., UTMB did not participate in the TDI grant in the first biennium.

Four local and regional programs from El Paso County, Dallas County, Harris County, and the Central Texas region formed the Texas Communities Healthcare Coalition to apply jointly for the grant. The El Paso County Hospital District was the coalition grant manager. Programs used grant funds to form four three-share premium assistance programs, TexHealth El Paso, TexHealth North Texas, TexHealth Harris County, and TexHealth Central Texas. North Texas returned $4,547 and El Paso returned a total of $30,815 in unused grant funds to TDI at the end of the biennium.

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

**Table 3:** FY 2010-2011 Participating Programs

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

Six three-share premium assistance programs applied jointly for grants from both funding sources in 2010-2011 biennium with the Brazos Valley Council of Governments (BVCOG) acting as the primary grant manager for the coalition, distributing funds to the six participating three-share premium assistance programs as subcontractors. No other applicants sought funds from both funding sources. Four programs served a single county as local health care programs, and two were regional programs serving several counties in a geographic region. UTMB and BVCOG joined to

[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).

form a partnership for grant funds among all existing three-share premium assistance programs in Texas, as shown in Table 3.

By September 2010, five of the six programs were enrolling small businesses with fewer than 50 employees and using part of the grant funds for the third share of premiums for qualified members. During FY 2011, two programs ceased operations. TexHealth El Paso closed in June 2011, never beginning enrollment. The El Paso program received $383,966 in grant funding through both biennia. TexHealth North Texas closed at the end of August 2011, enrolling 5 groups and 21 enrollees at its peak. After North Texas closed, the program returned $8,716 in unused third-share subsidy funds to TDI from the 2010-2011 fines grant. The North Texas program received $484,698 from TDI in the biennia.

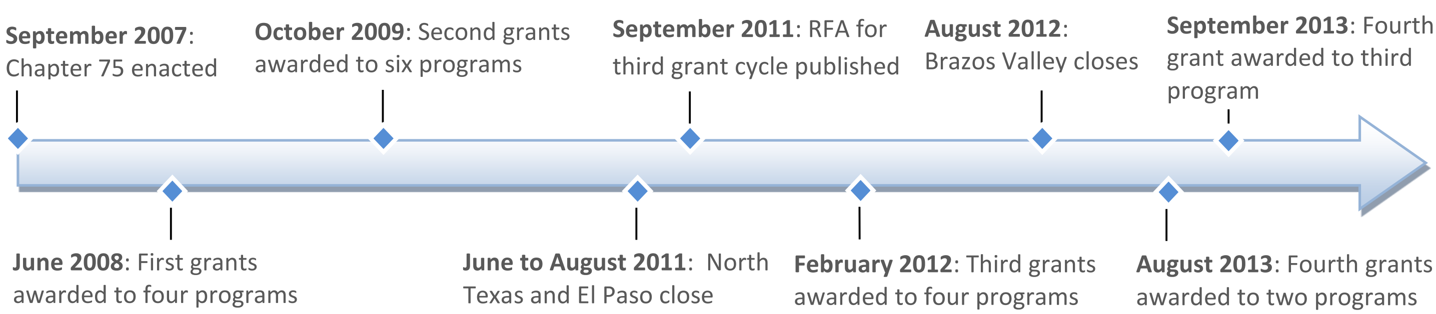
The 82nd Legislature continued funding the three-share premium assistance programs from general revenues and fines collected from health insurers. The appropriation was for $422,375 in each fiscal year for grants and TDI's administration, and up to $1.5 million in each fiscal year from fines.[8] TDI did not collect any fines from health insurers during the biennium. The four remaining programs again applied jointly with BVCOG serving as grant manager.

The lack of fines, combined with the end of federal grant funds at the end of FY 2012, had an impact on several programs. TexHealth Brazos Valley, the program under BVCOG, ended enrollment as of August 31, 2012, and ended operations by December 2012. The program cited the uncertainty in funding from fines collected by TDI, the loss of federal funding, and a lack of other local funding sources as a reason for closing. The BVCOG continued as grant manager for the TexHealth Coalition until the end of the biennium. With the third program closure, TexHealth Central Texas, TexHealth Harris County, and UTMB were the only three-share premium assistance programs still in operation.

TexHealth Central Texas received limited funding from the Travis County Hospital District, Central Health, and several counties in their service area, but had to terminate enrollment for 251 employers with 864 employees in June 2013 after exhausting all grant funds from TDI and Central Health. Although limited grant funding contributed to this termination, TexHealth Central Texas reported to TDI that over the course of FY 2012 and FY 2013 their claims and administrative expenses exceeded premiums received even in months when full grant funding for premium assistance was available.

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 (Central Texas, Harris County, and UTMB) with a portion for Brazos Valley's grant management duties. Figure 1 provides a general time line of TDI's grant awards to date.

**Figure 1:** Time Line of Grant Awards




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

## 2014-2015 Grant Period

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

In FY 2014, the first year of the biennium, the new language resulted in additional funding for these grants. By November 30, 2013, TDI collected all $1.5 million allotted for FY 2014. New FY 2015 collections began in September 2014 and will continue until the funds reach $1.5 million or until the end of the fiscal year, whichever occurs first. In FY 2010 to 2013, only collections from health insurers funded the grants. Table 4 shows available grant funding in each fiscal year as collected through October 31, 2014.

**Table 4:** 2014-2015 Available Grant Funds

| Funding Source | Fiscal year | Amount |
|---|---|---|
| General Revenue | 2014 | $386,980* |
| Fines | 2014 | $1,500,000 |
| **Total 2014 Funds** | | **$1,886,980** |
| General Revenue | 2015 | $386,381 |
| Fines | 2015 | $613,307** |
| **Total 2015 Funds** | | **$999,688** |

*Amount available after TDI administration
**Collected through October 31, 2014.

### Grant Application Considerations

TDI conducted a competitive application process described earlier in this report. With the closure of three programs and the suspension of another, the remaining three-share premium assistance programs disbanded their coalition and notified TDI of their intentions to apply separately for grant funds. TDI considered the strength of grant proposals and total funding requests, projected enrollment, proportion of request for premium assistance versus administrative expenses, and applicants' access to local matching funds.

Three programs applied. UTMB and Harris County, requested funding solely for third-share premium assistance for eligible members. Harris County also receives a local grant for a portion of its premium assistance. Both programs have local financial support for administration expenses. Both programs projected stable enrollment over the biennium and did not include plans to grow membership. As a result, TDI approved the requested per member per month third-share subsidy requested by each program ($50 per member for UTMB and $75 per member for Harris County). The total amount of the grant award would be subject to subsidy-eligible enrollment.

The third program, TexHealth Central Texas proposed to fund 81 percent of its administration in addition to a third-share subsidy of not more than $120 per member per month. The program projected 19 percent of its administrative budget and none of the three-share premium assistance would come from local matching funds. TDI approved a grant budget of $482,100 for administration in the biennium, with third-share subsidy funds subject to enrollment and available grant funds. Table 5 shows grant spending by each program through October 2014. Central Texas projected significant growth; however, actual enrollment has remained about 63 percent lower than projected. Though TDI noted the lack of diversity in funding, which led to the enrollment suspension in the previous fiscal year, TDI awarded Central Texas grant funds as well.

**Table 5:** FY 2014-2015 Grant Spending

| Program | Spending to date* |
|---|---|
| TexHealth Central Texas | $491,400 |
| UTMB Multi-Share Plan | $197,250 |
| TexHealth Harris County | $315,141 |
| **TOTAL** | **$1,003,791** |

*Total through October 2014 invoices

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

## Participating Programs

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

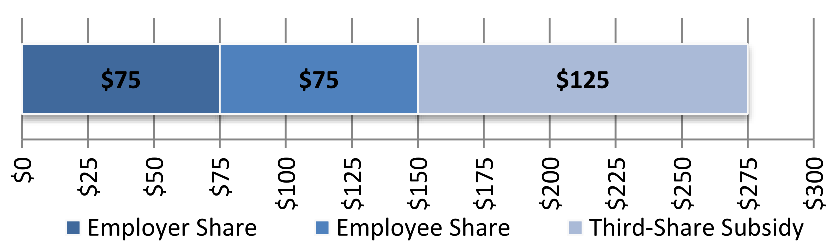
### The University of Texas Medical Branch Multi-Share Plan

**Figure 2:** UTMB Enrollment


Among the three grantees in the FY 2014-2015 grant cycle, the UTMB Multi-Share Plan is the longest running. It began as a pilot program in 2008, prior to TDI awarding the first state grants for the development of three-share premium assistance programs. In 2008, the UTMB Multi-Share Plan was funded through a grant from the Houston Endowment Inc. UTMB began receiving TDI grant funding in FY 2010 and has received $859,182 to date. The program contracts with health care providers to provide services to employees enrolled in the program and does not function as an insurer or health maintenance organization.

Enrollment in the UTMB Multi-Share Plan has been the most stable among current and previous grantees, averaging 125 covered businesses and 446 covered employees. UTMB maintains an enrollment cap of 500 members. Since the program began receiving TDI grant funding in September 2010, it has provided premium subsidies to an average of 290 employees per month, which is close to 72 percent of enrolled employees. Premium assistance increased from $50 to $125 per month with state funds beginning in December 2014. 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 show the months when UTMB exhausted available grant funds after no fines were collected in those fical years.

**Figure 3:** UTMB Premium Split

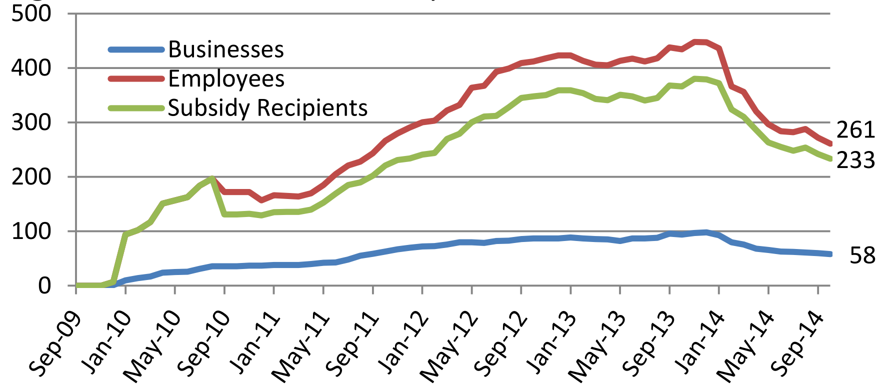



UTMB has passed on all TDI grant funds to the low-wage employees of enrolled small employers in the form of third-share premium assistance. In the current grant year, UTMB plan premiums cost $275 per month. Initially, employees earning less than 300 percent of the federal poverty level (FPL) received $50 per month from the state grant through UTMB to pay the third share of the premium. At the beginning of FY 2015, TDI approved UTMB's budget change request starting in December 2014 to increase the subsidy amount to $125 per eligible enrollee per month, as shown in Figure 3.

To date in the current biennium, the TDI grant accounts for about 13 percent of overall program budget. Through August 2014, UTMB has reported spending an average of $41 per member per month in administrative expenses. No TDI grant funds are directed to administration. Claims accounted for approximately 71 percent of premiums received.

### TexHealth Harris County Three-Share Plan

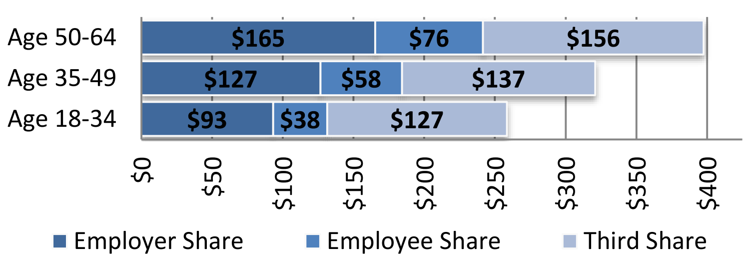
**Figure 4:** TexHealth Harris County Enrollment




TexHealth Harris County is a non-profit organization, which originally operated under the direction of the Harris County Healthcare Alliance (HCHA). The HCHA appointed the board of directors who oversaw the development and operation of the Harris County Three-Share Plan. The HCHA received state grant funds for the development of the three-share premium assistance program in the 2008-2009 biennium, and in each subsequent biennium, TexHealth Harris County participated in the grant program. The program began enrolling members in December of 2009, and since its inception, it has received $963,151 in grant funds.

Since it began enrolling, the Harris County program has maintained steadily increasing enrollment until January 2014, when it adjusted its coverage model in response to the changing marketplace under PPACA. This report discusses those changes in more detail in the next section. As shown in Figure 4, Harris County currently has 58 employers with 261 employees enrolled in its program. Of those, 233 are eligible for premium assistance.

**Figure 5:** Harris County Premium Split




Employees of employers participating in the Harris County program who earn less than 300 percent of FPL are eligible for premium assistance from $126.54 to $155.95 per month depending upon the full premium cost. Full premiums vary by age band, costing $258.59 for those under 35, $320.83 for those under 50, and $397.53 for those 50 and older. TDI provides $75 per subsidy-eligible member per month, which TexHealth Harris County combines with other local grants to make up the full subsidy. Figure 5 shows the division of premiums between the employer, employee, and third-share.

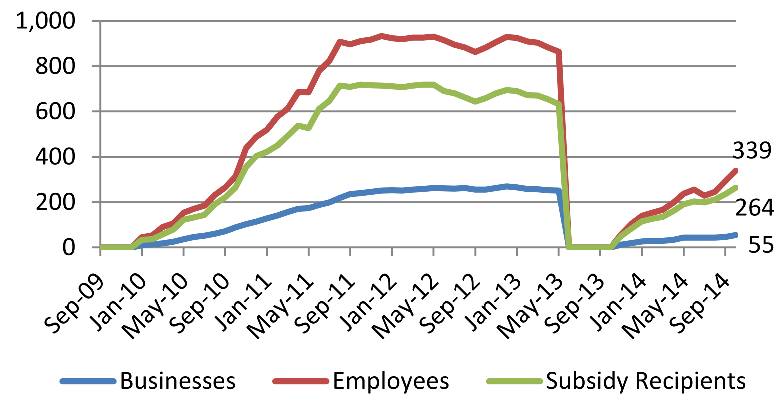
TexHealth Harris County reports that non-grant funded administrative expenses have averaged about $178 per member per month excluding claims during the current grant cycle. Historically, TexHealth Harris County did direct TDI grant funds toward administrative expenses. In the current grant cycle, Harris County requested only premium assistance grant funds, which account for about 22 percent of the program's overall budget through the end of October 2014. Harris County's reported claims are about 79 percent of reported premiums so far in the current grant cycle.

### TexHealth Central Texas Three-Share Plan

TexHealth Central Texas is also a nonprofit organization that operates independently. It initially provided a self-funded benefit plan, but had to terminate coverage for 864 members in May 2013 due to lack of funding. TexHealth Central Texas reapplied for grant funds with a new model in the new biennium. It proposed assisting small employers purchase commercial coverage under Health and Safety Code Section 75.102. TDI approved the proposal to facilitate the purchase of small employer health benefit coverage beginning October 2013.

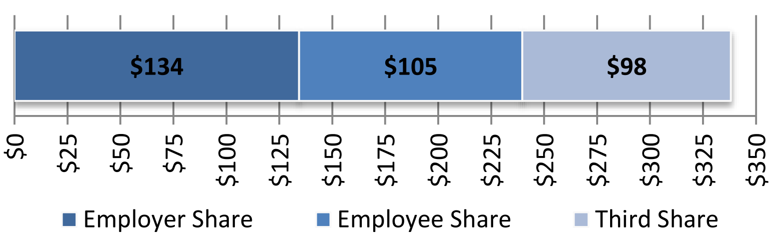
TexHealth Central Texas is a regional program serving six counties in Central Texas (Bastrop, Burnet, Hays, Milam, Travis, and Williamson Counties). TexHealth Central Texas received $1,854,199 in TDI grant funds since the 2008-2009 biennium. The program has grown slowly since beginning enrollment under the new model. Through October 2014, the program has enrolled 55 employers with 339 employees, 264 of whom are eligible for third-share subsidies. Figure 6 shows TexHealth Central Texas enrollment since the program began enrolling in January 2010.

**Figure 6:** TexHealth Central Texas Enrollment




Because TexHealth Central Texas is no longer providing direct coverage to members, it does not collect premiums and it is not responsible for paying claims. Additionally, the amount of premium assistance provided to employees will vary depending on the premium for each employer. TexHealth Central Texas provides one third of the premium, up to $120 per member per month, for subsidy-eligible employees. Figure 7 shows average premium splits for Central Texas employers.

**Figure7:** Central Texas Average Premium Split

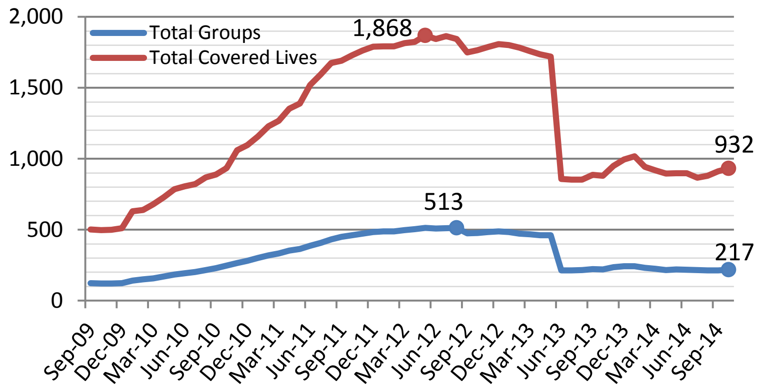



TexHealth Central Texas has requested three budget changes in the current grant period. The first request, submitted in December 2013, sought to increase administrative expenses by 18 percent from $482,100 to $566,707 over the two-year grant period. The second request realigned funding due to staffing changes. The third request changed the third-share subsidy structure so the program could begin facilitating the purchase of individual coverage through the federal health insurance marketplace. TDI approved all budget change requests.

TexHealth Central Texas has also spent less from local matching funds than initially projected. After the budget change, state grant funds were allotted for 91 percent of the program's administrative budget and 100 percent of premium assistance subsidies. TDI requested the program conduct an analysis comparing program expenses with those of other similarly situated non-profit organizations. Based on feedback from the program, the program was able to identify and implement areas for cost reductions from the analysis. TexHealth Central Texas average administrative cost per enrollee since October 2013 is about $124 per month.

## OVERALL THREE-SHARE DATA

**Figure 8:** Combined Three-Share Enrollment

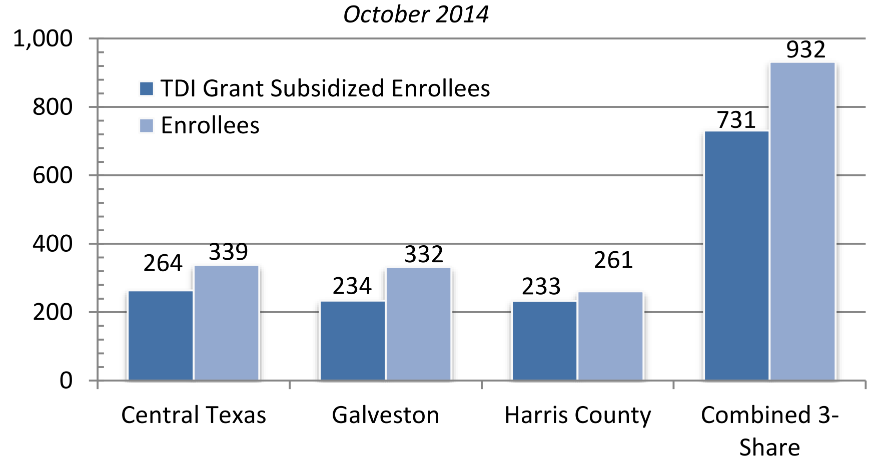



When TDI began tracking enrollment in September 2009, only one program, the UTMB pilot, had members, which included 122 employers with 502 employees. Since that time, programs have started, closed, and restructured. As of June 2014, the combined enrollment in the three remaining three-share premium assistance programs was 217 employers with 932 employees. At peak enrollment in July and August 2012, the combined enrollment was 513 employers and 1,868 employees. Figure 8 shows the total enrollment among all programs.

Among all three programs combined, about 80 percent of currently enrolled employees are eligible for premium assistance. Though eligibility requirements vary slightly between programs, eligibility for the third-share subsidy requires that employees be low-waged and enrolled in coverage through their employer. Employees not eligible for premium assistance split premiums with the employer in the traditional method for employer-sponsored coverage. Figure 9 shows the proportion of subsidy eligible enrollees currently enrolled in each program.

**Figure 9:** Subsidy-Eligible Employees

*October 2014*

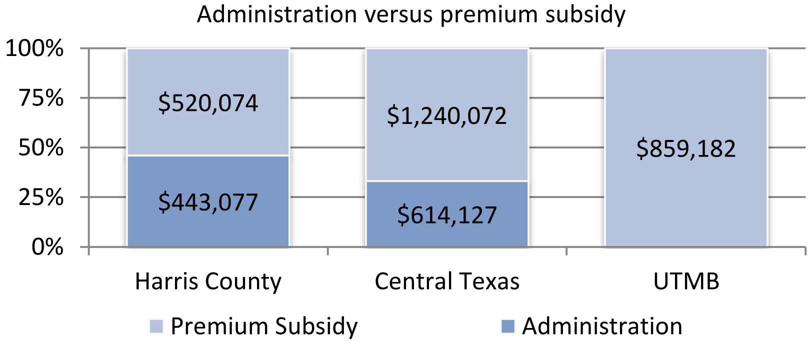



Of the TDI grant funds provided to all grantees since the 2008-2009 biennium, $2.5 million or 53 percent has gone toward third-share premium subsidies and the remaining 47 percent, about $2.2 million, has gone to administrative expenses. Among the three remaining programs, UTMB never received any funds for administrative expenses and used 100 percent of its state grant funds for third-share premium assistance. Figure 10 shows the distribution of all grant funding to date used by the three remaining programs for third-share premium subsidy and administration.

Program spending on administration has varied by program over time. Historically Harris County has dedicated just under half its grant budget to administrative expenses, but requested no funds for administration in the current biennium. TexHealth Central Texas dedicated a third of its grant budget to administration across biennia. UTMB had dedicated all grant funds to premium assistance. Currently, state grant funds account for about 13 percent of UTMB's total budget, 22 percent of Harris County's total budget, and 91 percent of TexHealth Central Texas' total budget.

**Figure 10:** Program Spending through October 2014

Administration versus premium subsidy



## THREE-SHARES AFTER PPACA

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

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

### TEXAS PROGRAM CHANGES

At the time of application for TDI grant funds in July 2013, the three Texas programs were uncertain about the full PPACA impact. TexHealth Harris County and UTMB did not initially change benefit designs, and both indicated that the plans did not qualify as MEC. Both programs cited plans to continue to evaluate the changing marketplace and adapt as necessary. Since TexHealth Central Texas terminated coverage before the end of the previous grant period, it revised its coverage approach to facilitate the employers' purchase of commercially available, PPACA compliant insurance products.

For the programs not considered MEC, TDI requested that the programs notify participants enrolled after January 1, 2014, that their plans were not MEC and employees could be subject to federal tax penalties if covered under the three-share plan. Due to the uncertainty in the health insurance marketplace at the time of application, both UTMB and Harris County proposed the programs would not increase enrollment.

In December 2013, TexHealth Central Texas submitted more detailed plans to use state premium assistance to expand the coverage for participating employees through individual Qualified Health Plans (QHPs) offered through the federal health insurance marketplace. Similarly, TexHealth Harris County submitted a proposal to help employees of member employers purchase individual QHPs on the marketplace and combine premium assistance with federal tax credits for eligible employees. Harris County's initial request was not to seek new enrollment, but help existing employer groups' transition employees to individual QHPs. In September 2014, Harris County proposed expanding enrollment to new employer groups, and TexHealth Central Texas finalized its proposal to expand enrollment to new employer groups.

#### TexHealth Harris County Structure

Under Harris County's approach, shown in table 6, employees earning between 100 percent and 250 percent of FPL are eligible for premium subsidy to purchase a Community Care Silver Plan offered through Community Health Choice (CHC), the third-party administrator for the Harris County Three-Share Plan. Eligible employees pay between 2 percent and 4 percent of their income for the coverage after federal tax credits and state premium subsidies. Participating employers pay an administrative fee to TexHealth Harris County for helping low-income employees

**Table 6:** Harris Subsidy Split

| FPL Range | Cap on Premium as Percent of Income |
|---|---|
| 100-150% | 2% |
| 151-200% | 3% |
| 201-250% | 4% |

enroll in coverage and administering the application of state subsidies to premiums. The annual fee would vary depending on the size of the employer.

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

### TexHealth Central Texas Structure

Initially, TexHealth Central Texas proposed contracting directly with QHP issuers to pay subsidies and verify payment of premiums but opted to change its approach. Instead, Central Texas will require employees that choose to enroll in individual QHPs to submit documentation from the federal marketplace verifying income level, eligibility for the advanced premium tax credit, and premium amount. Then on a monthly basis, employees must submit documentation to Central Texas showing proof of payment and continued enrollment in the QHP. Central Texas will provide premium subsidies directly to eligible employees.

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

Central Texas designed its subsidy to ensure eligible employees pay no more than $100 a month, based on the estimated second lowest cost silver QHP plan, which is the basis for determining federal tax credit amounts. Employees are free to choose any plan available in their area from any QHP issuer. They will receive a subsidy up to a set percentage of their individual income to supplement the federal tax credit for a marketplace plan. Employees eligible for federal tax credits, up to 370 percent of FPL, are eligible for premium subsidies. Central Texas will reimburse employees for the subsidized portion of premiums. Table 7 shows Central Texas subsidy schedule by income range.

**Table 7:** Central Texas Individual Subsidy Schedule

| Income Band | Subsidy Percent of Income | Max Annual Income | Monthly Income | Max Subsidy |
|---|---|---|---|---|
| 100-134% | 1.00% | $15,397 | $1,283 | $13 |
| 135-150% | 1.50% | $17,235 | $1,436 | $22 |
| 151-200% | 3.50% | $22,980 | $1,915 | $67 |
| 201-250% | 5.50% | $28,725 | $2,394 | $132 |
| 251-300% | 6.50% | $34,470 | $2,873 | $187 |
| 301-350% | 6.75% | $40,215 | $3,351 | $226 |
| 351-370% | 7.00% | $42,513 | $3,543 | $248 |

Central Texas has one group with employees enrolled in individual QHPs as a test case. TDI is working with the program to revise its subsidy budget, adjust enrollment projections, and determine acceptable enrollment limits to ensure continued availability of funds to expand this approach in the next open enrollment period beginning November 2014.

## Three-Share Programs in Other States

Several states have implemented similar programs in recent years, sometimes referred to as multi-shares, to provide affordable alternatives to insurance for employees of small employers. The earliest model was Muskegon Community Health Project's Access Health in Muskegon, Michigan, which began in 1999. Access Health provides comprehensive coverage with limitations to eligible employers, splitting premiums between employers, employees, and community.[10]

[10] "The Muskegon Access Health 'Three-Share' Plan: A Case History," Employee Benefit Research Institute, June 2005, accessed at: http://www.ebri.org/publications/ib/index.cfm?fa=ibDisp&content_id=3509.

Like Texas, other states designed their programs after the Muskegon's approach of creating limited health benefit plans designed to operate outside the regulatory authority of state insurance commissions. Because of the limitations, many of these programs did not meet the EHB requirements for minimum essential coverage under PPACA.[11] States operating three-share (or multi-share) programs include Colorado, Minnesota, Oregon, Virginia, and Michigan.

**Table 8:** Ongoing Status of Three-Share (Multi-Share) Programs in Other States

| |
|---|
| **Colorado** |
| **Health Access Pueblo** |
| began enrollment in 2008, ended at the end of 2013 due to post-PPACA market changes[12] |
| **CarePoint** |
| began enrollment in 2010, ended new enrollment January 2014, transitioned all members to other coverage by April 2014 due to post-PPACA market changes[13] |
| **Minnesota** |
| **HealthShare Minnesota** |
| began in 2008, ended coverage December 31, 2013, due to post-PPACA market changes[14] |
| **Portico Healthnet** |
| • began in 2009<br>• status of multi-share was unavailable at the time of this report, but Portico still provides a variety of programs to expand access to coverage |
| **ValuesHealth (PrimeWest)** |
| began in 2011, ended coverage December 31, 2013, due to post-PPACA market changes[15] |
| **Oregon** |
| **SharedCare (HealthMatters)** |
| began in 2010, ending coverage December 31, 2014, due to post-PPACA market changes[16] |
| **Community Health Alliance of Northeast Oregon** |
| began in 2010, ended enrollment as of May 2013 due to lack of sustainable funding[17] |
| **Lane County 100 Percent Access Initiative** |
| • began in 2010<br>• status of multi-share was unavailable at the time of this report, but the initiative still provides a variety of programs to expand access to coverage |
| **Virginia** |
| **Virginia Share Plus Wellness** |
| began as Riverside Share pilot in 2008, ended September 2013[18] |
| **Michigan** |
| **Access Health** |
| • became the first three-share program approved to be MEC under HHS rules<br>• exploring ways to expand funding and replicate the program in other parts of the state[19] |

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[11] "Multi-shares and the Affordable Care Act", U.S. Department of Health and Human Services Health Resources and Services Administration, National Academy for State Health Policy, March 2, 2011.
[12] "Low-cost insurance a casualty," Roper, Peter, *The Pueblo Chieftain***,** November 2, 2013.
[13] Telephone interview with Paul Roberts, Director of Sales and Marketing, Colorado Choice Health Plans.
[14] "Region to lose inexpensive, no-frills health coverage," Brochu, Ron, *Business North,* September 3, 2013.
[15] PrimeWest Health History, PrimeWest Health News Release, February 2014.
[16] "SharedCare community health improvement program to end services Dec. 31," Saint Charles Health System online, July 25, 2014, accessed at https://www.stcharleshealthcare.org/About-Us/News/2014-Press-Releases/SharedCare-commhealthimprvmt-ends-Dec-31.
[17] "Community Health Alliance Faces Closure," March 26, 2013, accessed at http://www.neonoregon.org/2013/03/community-health-alliance-faces-closure/.
[18] Telephone interview with Virginia Department of Health staff.
[19] Telephone interview with Jeff Fortenbacher, President and CEO, August 8, 2014.

Many of these programs have ended or are preparing to end coverage within the next year. Many have cited changes in the health insurance marketplace, from benefit changes necessary to become a QHP to changes in access to coverage for the target populations, as reasons for ending coverage. Table 8 on the following page summarizes the status of the programs operating under the three-share model in each of these states.

## Healthy Texas

In addition to the direct funding available through the riders described above, the 81st Legislature also allowed three-share premium assistance programs to participate in Healthy Texas, established through SB 78. Given TDI's accountability for state dollars allocated to the Premium Stabilization Fund, the application process for Healthy Texas was more rigorous than the grant application process. The only coalition member that did not apply for Healthy Texas in FY 2011 was the UTMB Multi-Share Plan.

Because initial applications were incomplete, TDI assembled financial, legal, and purchasing staff to meet with the TexHealth Coalition to discuss the application deficiencies and answer questions to help the applicants understand standard financial reporting formats to ensure that their financial soundness materials were complete. The RFA expired after a year without any program submitting a complete response. TDI issued a new RFA in November 2011. Programs in Brazos Valley, Central Texas, and Harris County submitted responses by the mid-December 2011 deadline.

Ultimately, TexHealth Central Texas and TexHealth Harris County successfully completed applications, and contracts, which allowed them to participate in Healthy Texas by June 2012. The three-share premium assistance programs began enrolling groups in Healthy Texas starting July 1, 2012. When TexHealth Central Texas terminated existing enrollment in June 2013, its participation in Healthy Texas ended. All Harris County members terminated at the end of their 2014 plan year as Healthy Texas ended after funding was not renewed.

## 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. In that time, TDI moved from set scheduled payments to providing grant funds on a cost-reimbursement basis. TDI also more clearly defined the type of supporting detail required for payment.

Some of these changes resulted from a joint audit of the three-share premium assistance grants that TDI conducted in conjunction with HHSC. The two agencies looked at all grant spending by each program from FY 2008 to December 2011. Auditors focused on areas of consistent reporting errors from several of the grant participants. During the audit, each agency examined the grant records for the period each program received funding, supporting documentation to back-up grant expenses, financial documentation, policies, procedures, and documentation related to the program's quality assurance practices. Evaluators conducted site visits to the programs still in operation.

### Summary of Audit Findings

The three-share premium assistance programs are maturing local and regional entities. As with any start-up program or organization, the three-shares faced challenges as they developed. The audit uncovered issues such as

- inadequate understanding of grant periods and requirements

- miscommunication between the coalition grant manager and coalition members leading to errors in grant tracking and disbursement
- accounting errors of grant funds based on approved budgets
- inconsistent billing for grant expenses, and
- concerns about adequate reserves to cover obligations in the event of other program closures.

Some programs showed a better ability to account for grant funds than others did. Many of the errors occurred because of inexperienced staff or a change in staff and responsibilities as programs evolved. Some programs adjusted procedures based on experience gained in early operations.

### Adjusted Reporting Requirements Based on Audit

Because several of the most significant errors in applying grant funds related to the accounting of third-share premium assistance funds, TDI began requiring more detail about the subsidy-eligible membership each month. To increase administrative simplicity beginning in FY 2012, TDI combined the appropriated funds and any fines collected into one grant. Several programs indicated that this improved their ability to track grant spending.

In the 2012-2013 and 2014-2015 grant agreements, TDI also included specific guidelines for requesting budget changes in advance and outlined more clear expectations of the information programs needed to provide the agency. Monthly invoices now include third-share subsidy, salary, and contract expense details.

### The 2014-2015 Grant Period

As issues or concerns have arisen, TDI has taken the opportunity to meet with grantee leadership and, if necessary, conduct site visits to ensure grant compliance. When TexHealth Central Texas reapplied for grant funds, TDI met regularly with program staff as it implemented its new business model to discuss reporting requirements, improving enrollment tracking, and program questions as the model developed. TDI also met with staff from TexHealth Harris County and UTMB to discuss potential program changes and get updates on program operations.

TDI conducted a site visit in July 2014 to look into concerns that some Central Texas employers had not distributed premium subsidies to eligible employees and generally assess the program's administrative procedures. Central Texas was able to show TDI which businesses were out of compliance and the steps the program had taken to resolve the issues and ensure employees had received premium subsidies. The program also provided more insight into its administrative procedures and documentation on policies and procedures. Following the site visit, TDI made several recommendations for improving the tracking of employer distribution of premium subsidies to eligible employees and improve overall administrative processes.