

Texas Department of Insurance

Three-Share Premium Assistance Programs

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

Submitted December 2020

Table of Contents

- Table of Contents 1
- Background..... 2
- Program history..... 2
- Overview 3
 - Grant award summary..... 4
 - Grantee selection process..... 4
 - Historical grant funding..... 4
- 2020-2021 grant period 5
 - Grant application considerations 5
- Participating programs 5
 - UTMB Multi-Share Plan..... 6
 - TexHealth Central Texas Three-Share Plan 7
- Overall three-share data 8
- Oversight and accountability..... 8
- Future funding projections..... 9

Background

The last seven Texas Legislatures have provided grant funding for the development and operation of employer health care programs sponsored by local governments. These three-share premium assistance programs aim to lower the cost of health care coverage for lower-income employees of businesses with 50 or fewer employees.

These programs use public funds to share coverage costs typically paid by only the employer and employee. The programs use state funds to administer the programs and to pay a third of the premiums. The legislature directed the Texas Department of Insurance (TDI) to administer these grants. From 2010 to 2012, the programs also received grant funds from a federal State Health Access Program (SHAP) grant through the Texas Health and Human Services Commission (HHSC).

The amounts requested by the programs exceeded the amount available for distribution for the first time in the 2018-2019 biennium, and again in the 2020-2021 biennium. TDI created a formula to distribute available funds evenly between two grantees.

This report fulfills the statutory requirement for TDI to provide the Legislative Budget Board and the Governor a summary of grants awarded.¹

Program history

Since 2008, TDI has used a competitive application process to award grants funded by General Revenue Dedicated Fund 36 (TDI Operating Account) and by fines, penalties, and sanctions collected by TDI. Beginning in FY 2018-2019, and continuing in FY 2020-2021, TDI Operating Account funding was available only for TDI's administrative costs. In the current biennium, the legislature allocated up to \$2.25 million per year in grant funds from fines collected from entities regulated by TDI, except fines related to workers' compensation insurance.² The table above shows the total grant funds administered by TDI each biennium.

State administered grant funds*

Grant period	Total grants
2008-2009 Biennium	\$624,638
2010-2011 Biennium	\$3,212,039
2012-2013 Biennium	\$1,358,289
2014-2015 Biennium	\$1,989,381
2016-2017 Biennium	\$3,694,929
2018-2019 Biennium	\$3,743,422
2020-2021 Biennium**	\$1,930,558
Total	

*Includes TDI and HHSC administered grant funds

** Paid through August 31, 2020, out of \$4,140,564 awarded for the biennium.

¹ Rider 13(b), page VIII-22, HB 1, Acts of the 86th Legislature, Regular Session, 2019 (the General Appropriations Act).

² Rider 13(b), page VIII-22, HB 1, Acts of the 86th Legislature, Regular Session, 2019 (the General Appropriations Act).

Initially, six regions sought to implement three-share grant programs; however, four have closed since FY 2008. The last of the four ended operations December 31, 2016, due to a lack of employer participation.

Two programs remained. One suspended enrollment and terminated existing members in 2013 while it re-evaluated and ultimately changed its model of operation. Now, rather than provide coverage directly, the program helps employees buy commercial small employer coverage. Providing coverage directly meant bearing the risk for claims due to changes in the market from the Patient Protection and Affordable Care Act (ACA). The second program has maintained enrollment and continues to evaluate the effects of ACA and the marketplace.

Overview

Health and Safety Code Chapter 75, enacted as Senate Bill 10 by the 2007 Texas Legislature, permits county commissioners courts to create health care programs for employers, including three-share programs. The programs are exempt from regulation under the Insurance Code. These programs are designed to:

- improve the health of employees of small employers in Texas by improving access to health care and insurance;
- reduce reliance on state-funded programs like Medicaid;
- improve small employers' economic conditions by improving the health of employees and providing health care benefits to help attract employees; and
- encourage innovative funding and providing of health care services.³

Chapter 75 three-share programs must actively seek funding from a variety of sources, such as grants, donations, or gifts to fund services and reduce costs for participating employees and employers.⁴ With SB 10, the Texas Legislature included an appropriation in Article VIII of the General Appropriations Act directing TDI to administer grants to aid initial development of three-share premium assistance programs.⁵ While the Legislature continues to fund three-share programs, the 2017 Texas Legislature reduced the appropriation by \$319,012 for each year of the 2018-2019 biennium.

The 2019 Texas Legislature increased the three-share grant funding from fines, penalties, and sanctions to \$2.25 million per year. However, authorized funds are not available until after the Biennial Revenue Estimates (BREs) from certain fines, penalties, and sanction funds are met.

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).

Grant award summary

TDI conducted a competitive application process to award grant funds in each biennium, as directed by the Legislature. Three-share premium assistance programs have evolved since the initial grant cycle in FY 2008-2009, when programs applied for grant funds as a coalition. They now apply independently. TDI has also adjusted grant procedures to strengthen reporting requirements, ensure better financial management from grantees, and enhance compliance.

Grantee selection process

TDI developed a Request for Applications (RFA) to solicit qualified applicants in each grant cycle. The RFA included four areas the Legislature instructed TDI to use when selecting grantees:

Total spending

Program	FY 2008-2009*	FY 2010-2011*	FY 2012-2013	FY 2014-2015	FY 2016-2017	FY 2018-2019	FY 2020-2021**	HHSC SHAP	Total
UTMB Multi-Share Plan	N/A	\$387,072	\$274,860	\$471,200	\$1,080,282	\$1,491,288	\$785,567	N/A	\$4,490,269
Central Texas	\$147,500	\$887,548	\$327,751	\$1,130,906	\$2,493,806	\$2,252,134	\$1,144,991	\$829,777	\$9,214,413
Harris County	\$147,500	\$448,866	\$51,643	\$387,275	\$120,841	Closed	Closed	\$288,059	\$1,444,184
Brazos Valley	N/A	\$285,271	\$99,502	Closed	Closed	Closed	Closed	\$138,053	\$522,826
El Paso	\$186,685	\$197,281	Closed	Closed	Closed	Closed	Closed	N/A	\$383,966
North Texas	\$142,953	\$341,745	Closed	Closed	Closed	Closed	Closed	\$12,900	\$497,598
Total	\$624,638	\$2,547,783	\$753,756	\$1,989,381	\$3,694,929	\$3,743,422	\$1,930,558	\$1,268,789	\$16,553,26

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

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

**Paid through August 31, 2020.

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

TDI subject matter experts evaluated applications and recommended grant amounts.

Historical grant funding

Since TDI began providing grants to three-share premium assistance programs in 2008-2009, it has paid more than \$15.3 million in grants. HHSC provided an additional \$1.3 million from a federal SHAP grant. Grantees used the funds for premium assistance and program administration. The table below shows the distribution of grant funds paid to each grantee through August 31, 2020.

⁶ Ibid.

2020-2021 grant period

The 2019 Texas Legislature increased the TDI Operating Account appropriation for TDI administration from \$62,351 to \$64,847 during each year of the 2020-2021 biennium and increased the appropriation for grant funding to \$2.25 million from fines for each fiscal year. In addition, the appropriation rider allowed TDI to carry forward unspent fines from the previous biennium.

In making grant awards for FY 2020-2021, TDI relied on about \$1.1 million available from funds carried over from FY 2018-2019 and identified a one-time, stop-gap solution that provided an additional \$3 million, for a total of \$4.1 million in grants. This will allow TDI to carry forward fines collected in excess of the BRE in FY 2020-2021 and use them for grant awards in 2022-2023.

Grant application considerations

TDI conducted another competitive application process for 2020-2021. TDI considered grant proposal strength, total funding requests, projected enrollment, proportion requested for premium assistance compared to administrative expenses, and applicants' access to local matching funds. TDI received applications from two programs: The University of Texas Medical Branch (UTMB) and TexHealth Central Texas.

UTMB projected stable enrollment in both years of the 2020-2021 biennium and continued the same per member subsidy of \$200. TDI approved a total grant budget for UTMB of \$1.7 million for FY 2020-2021. Less than 9% was allocated for administrative expenses. The amount of the grant is subject to subsidy-eligible enrollment and documentation of expenses.

TexHealth Central Texas projected no significant growth during each year of the biennium and reduced its third-share subsidy to \$110 or less per member per month. The subsidy may be less, depending on the total group premium. TDI approved a total grant budget of \$2.4 million for FY 2020-2021, including 17% for administrative expenses. That percentage is consistent with the maximum provided in the RFA. The TexHealth Central Texas grant is also subject to enrollment and documentation of expenses.

Grant spending and awards, FY 2020-2021		
Program	Spending to date*	Total amount awarded
TexHealth Central Texas	\$1,144,991	\$2,447,149
UTMB Multi-Share Plan	\$785,567	\$1,693,415
TOTAL	\$1,930,558	\$4,140,564

*Total through August 2020 invoices

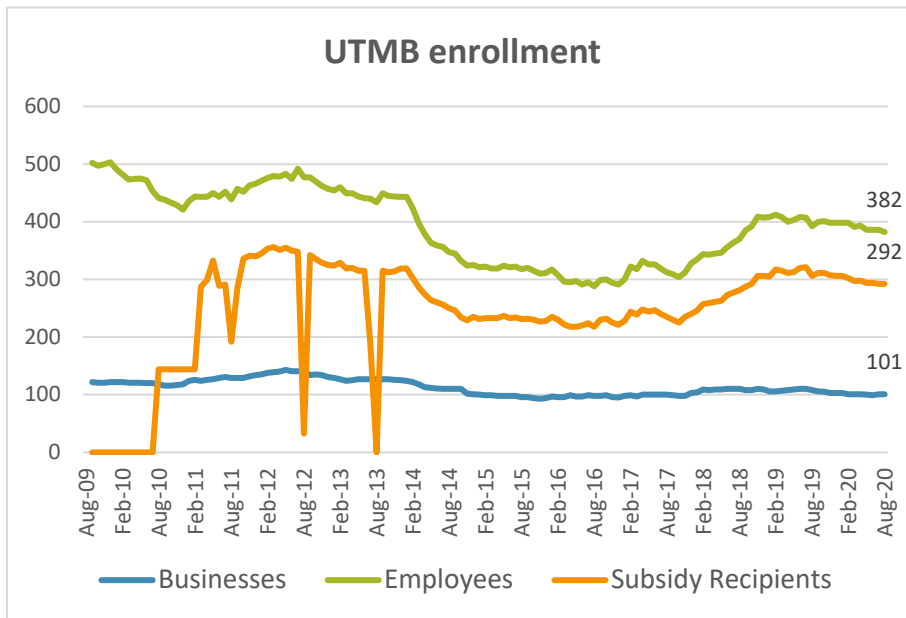
Participating programs

Chapter 75 allows a variety of governance structures for three-share premium assistance programs, including joint government councils and nonprofit organizations. Programs have flexibility in how benefits are structured, including:

- providing coverage with a self-funded benefit package;
- collaborating with health care facilities to provide services;
- helping purchase commercial insurance plans for employees of member small businesses.

Chapter 75 provides broad authority for developing eligibility criteria if the employer shares premiums or other costs of coverage. As a result, the UTMB and TexHealth Central Texas programs are not alike.

UTMB Multi-Share Plan



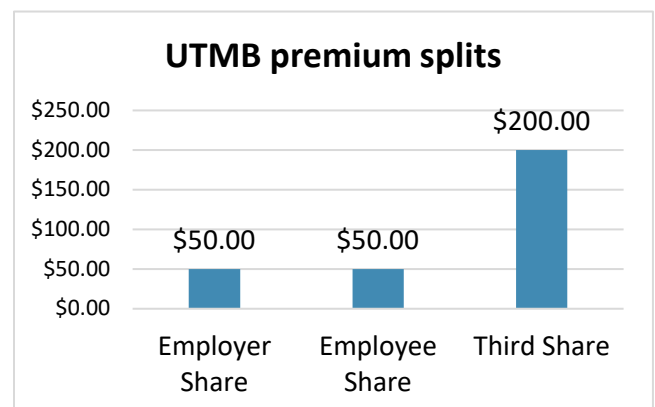
The UTMB Multi-Share Plan is the longest running of the two. It began as a pilot program in 2008, before TDI awarded the first state grants for three-share programs. In 2008, the UTMB Multi-Share Plan was funded through a grant from the Houston Endowment Inc. In FY 2010, UTMB began receiving TDI grant funding and to date has received \$4.5 million in grant funds. The program contracts with UTMB health care providers to provide

healthcare services for employees enrolled in the program; however, UTMB does not function as an insurer or health maintenance organization.

Enrollment in the UTMB plan has been the most stable among current and previous grantees, averaging 101 covered businesses and 344 covered employees for FY 2020. 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 235 employees per month, or 68% of enrolled employees. The number of recipients dipped in 2011 due to correction of a billing error. Drops in 2012 and 2013 were due to a lack of grant funds.

Historically, UTMB spent all TDI grant funds on premium assistance for low-wage employees of enrolled small employers. Beginning in 2016-2017, UTMB began using a small percentage for administrative expenses.

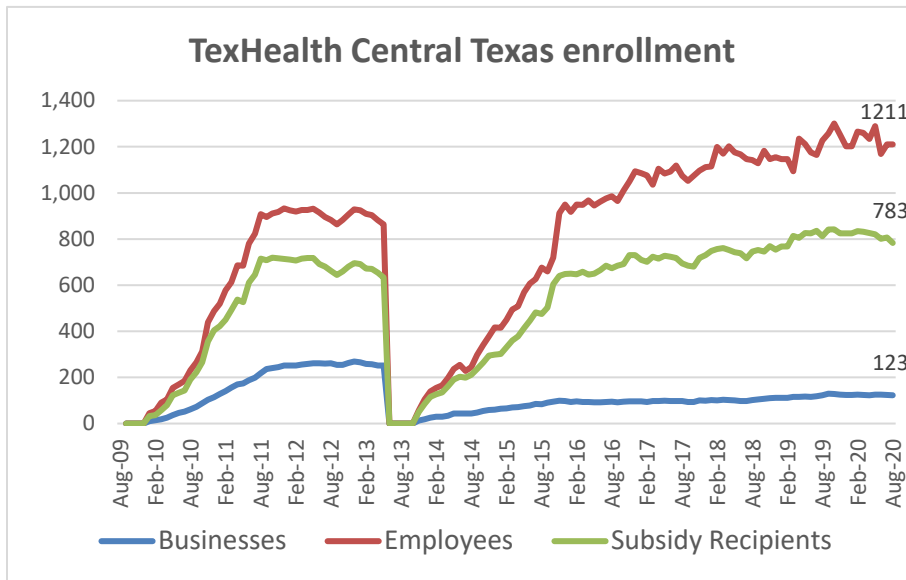
For FY 2018-2019, UTMB increased the monthly per member amount to \$300 with the monthly third-share



subsidy of \$200 per member per month. It remained at \$200 per member per month for FY 2020-2021.

TexHealth Central Texas Three-Share Plan

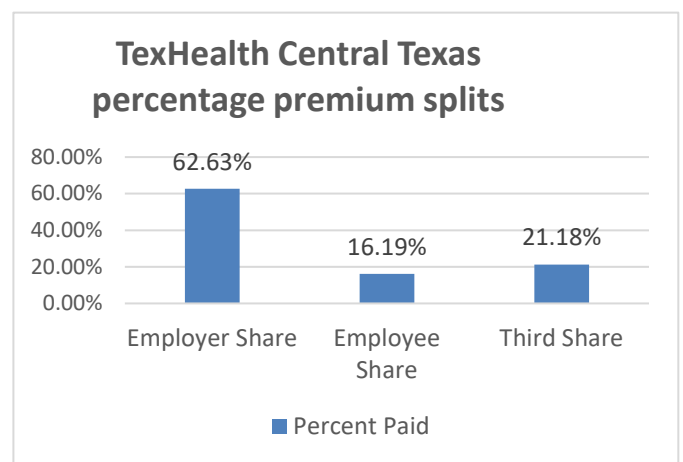
TexHealth Central Texas is an independent nonprofit organization. It initially provided a self-funded benefit plan but terminated coverage for 864 members in May 2013 due to a lack of funding. Central Texas reapplied for grant funds with a new model in 2014-2015, and TDI approved the new model. The program now helps small employers and their employees buy commercial coverage in the small employer group market, as authorized under Health and Safety Code Section 75.102.



Central Texas is a regional program serving six counties in Central Texas (Bastrop, Burnet, Hays, Milam, Travis, and Williamson). Central Texas began serving Harris County in 2018-2019. Central Texas has received \$9.2 million in TDI grant funds since 2008-2009. The program has grown steadily under the new model. As of August 2020, the program had enrolled an average of 94 employers with 604 employees, 427 of whom are eligible for third-share subsidies. The premiums vary by plan.

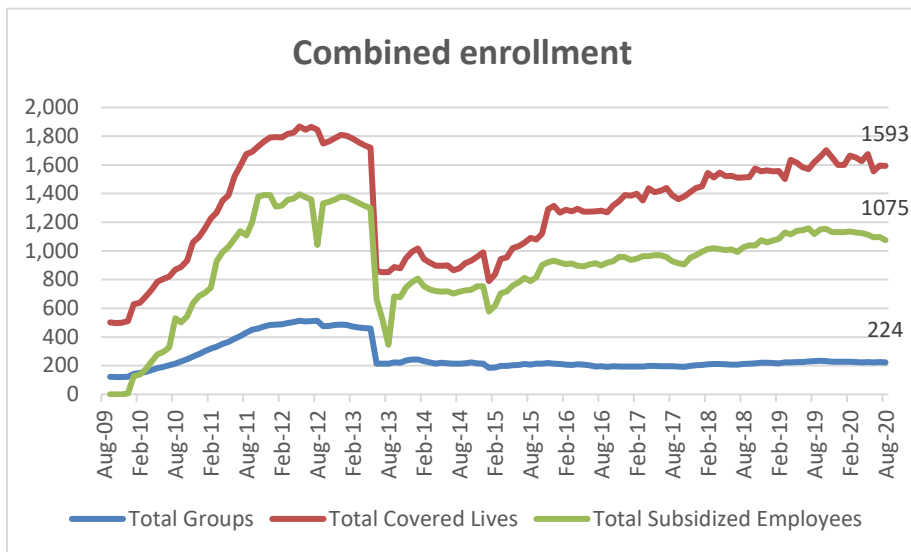
Central Texas has had to rely more on local matching funds due to the cap on administrative expenses initiated in FY 2018. The small employer market has also been unstable due to the coronavirus pandemic. Despite these challenges, Central Texas maintained enrollment and added all the groups on its waiting list.

Central Texas has had to rely more on local matching funds due to the cap on administrative expenses initiated in FY 2018. The small employer market has also been unstable due to the coronavirus pandemic. Despite these challenges, Central Texas maintained enrollment and added all the groups on its waiting list.

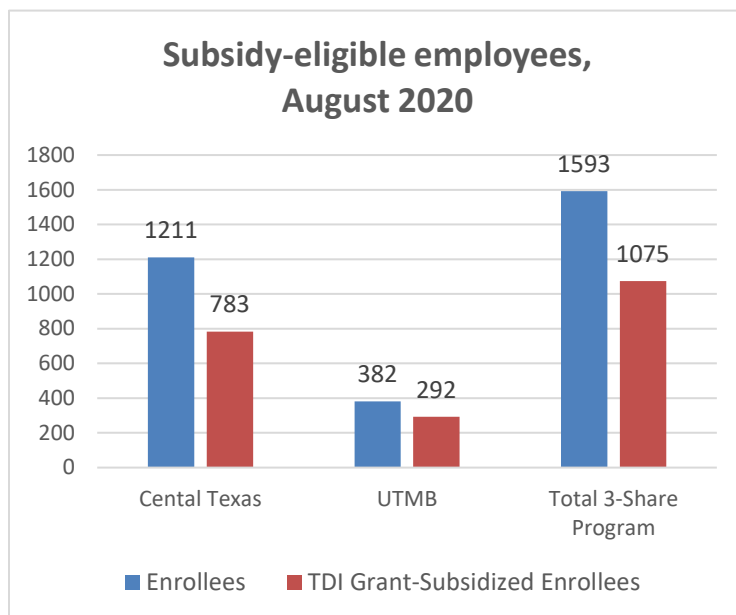
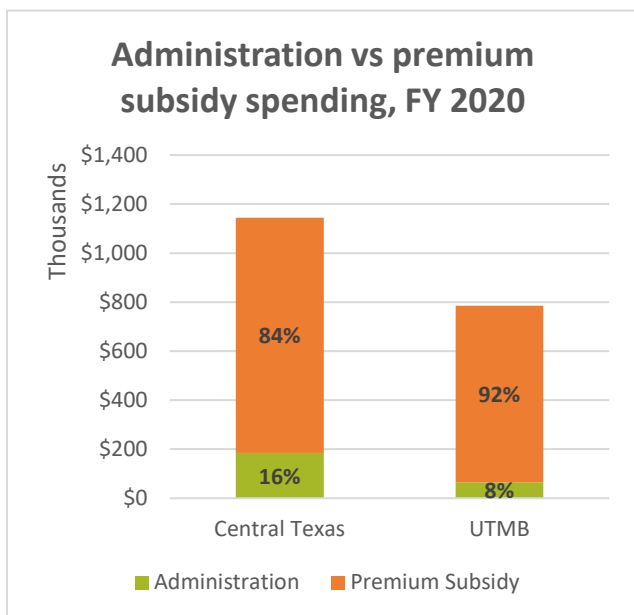


Overall three-share data

As of August 2020, combined enrollment in the two remaining three-share premium assistance programs was 224 employers with 1,932 covered lives.



About 67% of currently enrolled employees are eligible for premium assistance. Though eligibility requirements vary between programs, the third-share subsidy requires low-wage employees to enroll in coverage through their employer. Employees who are not eligible for premium assistance split premiums with their employer in the traditional method for employer-sponsored coverage.



Oversight and accountability

Health and Safety Code Chapter 75 does not define these programs as insurers, exempting them from TDI regulation. However, TDI has adjusted the grant application process to ensure continued accountability from grantees.

Future funding projections

Budget Rider 13 allows TDI to appropriate up to \$2.25 million per year in FY 2020-2021 from penalties over the BREs, which can be carried over to the next biennium.

In FY 2020, TDI was appropriated the full \$2.25 million from penalties. Absent any changes in the programs, funding structure, or future appropriations, TDI estimates that approximately \$2.42 million will be available to begin the 2022-2023 biennium. These funds would support the program for 14 months given the current average spending rate of about \$170,000 per month.

Any additional funds from penalties collected in FY 2021 will be available only if the amount collected exceeds the 2021 BREs. In two of the past five years, collections have not met the 2021 BREs. If collections are less than the 2021 BREs, no additional funding will be made available for the programs.