

Three-Share Premium Assistance Programs

*Report on Rider 15, Title VIII
82nd Legislature, Regular Session, 2011*



*Submitted by the
Texas Department of Insurance*

December 2012

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EXECUTIVE SUMMARY

The 80th Texas Legislature created regional or local health care programs, known as three-share premium assistance programs, when it enacted Senate Bill 10, which added Health and Safety Code Chapter 75. In each of the past three legislative sessions, the Legislature appropriated grant funds for the research, planning, development, and operation of these three-share premium assistance programs.

Total State-Administered Grant Funds*	
Three-Share Program Grant Period	Total Grant Funding
2008-2009 Biennium	\$624,638
2010-2011 Biennium	\$3,212,039
2012-2013 Biennium	\$1,358,289
Total	\$5,194,966

* Includes TDI and HHSC administered grant funds

This report provides a summary of all grants awarded since the first grant funding was appropriated in the 2008-2009 biennium through the current 2012-2013 biennium and provides recommendations to the Legislature for oversight of existing programs. Additionally, this report provides details about the three-share premium assistance programs currently operating in Texas, the process for selecting grantees for the current biennium, and a description of current oversight processes.

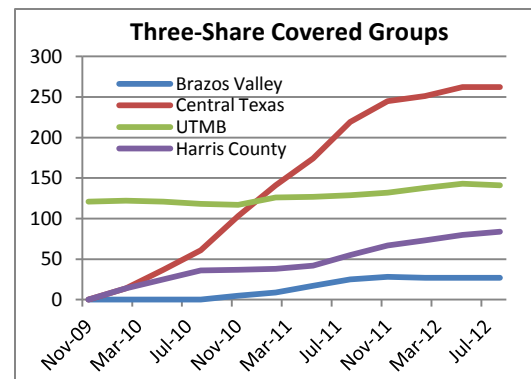
Background

The Texas Department of Insurance awarded grants through a competitive application process to three-share premium assistance programs since 2008, when the Legislature first appropriated funds for these programs. The current TDI grant comes from two funding sources:

- General Revenue Fund, and
- revenue from fines, penalties, and sanctions that TDI assesses to health insurers.

Since awarding the first grant, TDI has monitored the implementation, enrollment, and operational progress of the three-share premium assistance programs. Programs have seen some successes over their tenure, more recently finding additional local funding sources and refining outreach efforts for each region's target populations. However, they have also experienced some challenges during development. The key findings discussed in this report include:

- slower than expected enrollment
- difficulty diversifying funding sources as TDI's collection of fines, penalties, and sanctions are not providing a steady funding source
- three of the six initial programs closing
- problems with grant accounting and financial management.



Recommendations

If the Legislature continues funding grants for these programs in the future, TDI recommends giving TDI oversight authority beyond grant administration powers. While oversight of TDI grant funds has given the department some insight into financial and operational issues, a more formal oversight relationship could provide three-share premium assistance programs with a framework for stronger operational and fiscal management. The additional authority should not extend to the full scope of regulation afforded insurance companies, but rather should be tailored to these entities, including

- providing initial approval to operate within the state
- allowing TDI to conduct periodic financial audits to evaluate financial stability
- setting appeals and complaint requirements, and
- ensuring an adequate network.

BACKGROUND

The stated goal of the three-share premium assistance programs is to provide small employers with a more affordable alternative for health care coverage by splitting premiums between the employer, the employees, and a third, usually philanthropic, source. These programs are known as three-share premium assistance programs because premiums are split three ways, rather than two. Health and Safety Code Chapter 75 specifically notes these plans are not insurance, and TDI does not regulate them.

In each biennium since the 80th Texas Legislature, Regular Session, enacted SB 10, which created three-share premium assistance programs, the Legislature has appropriated funds for TDI to award for the development and continuation of the three-share premium assistance programs. TDI established a competitive bid process to award grants to support the third share of premiums and for the planning and operation of the three-share premium assistance programs.

For all grant periods, all existing three-share premium assistance programs have applied together as a coalition. As part of each grant, the three-share premium assistance programs provide TDI with detail on grant expenses and quarterly reports that include update on the progress of each program and their enrollment information.

THREE-SHARE APPROPRIATIONS

Since the Legislature created the three-share premiums assistance programs, it has appropriated grant funds for the development and operation of these programs in each of the last three biennia. TDI separates the grant periods based on the biennium for which the funds were appropriated: 2008-2009, 2010-2011, and 2012-2013.

Overview of previous grants (2008-2009 and 2010-2011)

The 80th Texas Legislature included Rider 18 in House Bill 1, the General Appropriations Act, which appropriated \$300,000 in fiscal year 2008 and \$450,000 in FY 2009 to be awarded to three-share premium assistance programs for “research, planning and development” of these programs in the state and for TDI grant administration.¹

Initially, three organizations joined the El Paso County Hospital District to apply jointly for grant funds as the Texas Communities Healthcare Coalition to develop three-share premium assistance programs in El Paso County, Dallas County, Harris County, and in the Central Texas region. TDI awarded \$660,000 for the biennium to the El Paso County Hospital District, which served as the grant manager for the coalition. The coalition split the grant evenly between the hospital district, the North Texas Underinsured Healthcare Coalition, the Harris County Healthcare Alliance, and the Central Texas Regional Health Care Program, withholding \$70,000 for the hospital district for grant management expenses. Table 1 provides the detail for how funds from this grant were allocated between programs.

Table 1: 2008-2009 Grant Award

Three-share Premium Assistance Program	Amount Awarded
El Paso	\$217,500
North Texas	\$147,500
Central Texas	\$147,500
Harris County	\$147,500
Total	\$660,000

The coalition members used grant funds to form four three-share premium assistance programs, TexHealth El Paso, TexHealth North Texas, TexHealth Harris County, and TexHealth Central Texas. All were preparing to begin enrollment at the end of the grant period. Both North Texas and El Paso had unused grant funds by the end of

¹ Rider 18, page VIII-33, Chapter 1428 (HB 1), Acts of the 80th Legislature, Regular Session, 2007 (the General Appropriations Act)

the grant period. North Texas returned \$4,547 to TDI in June 2011 and El Paso returned a total of \$30,815 to TDI with payments in April and August 2011.

The General Appropriations Act SB 1 of the 81st Texas Legislature provided two separate funding opportunities for three-share premium assistance programs in Texas during the 2010-2011 biennium. The Act appropriated \$450,000 in general revenue funds to TDI during each fiscal year of the biennium to award grants for the research, planning, development, and continuation of three-share premium assistance programs in Texas and for TDI’s administration expenses. As in the previous biennium, these grants were to be awarded to local government entities through a competitive application process, with the stated goal of improving access to private healthcare coverage for the uninsured.²

Table 2: 2010-2011 Grant Award

Three-Share Premium Assistance Program	Appropriation Awarded	Fines, Penalties, & Sanctions Awarded*
Brazos Valley	\$58,500	\$233,772
Central Texas	\$216,500	\$664,049
El Paso	\$46,000	\$151,281
Harris County	\$192,500	\$256,367
North Texas	\$192,500	\$157,962
UTMB	\$84,000	\$303,069
Total	\$790,000	\$1,766,500

*TDI collected the full \$1.5 million in FY 2010, and \$266,500 in FY 2011.

In addition, Section 17.08 of SB 1 appropriated contingency funds for three-share premium assistance programs out of the fines, penalties and sanctions imposed on health insurers by TDI. These funds were not to exceed \$1.5 million in each year of the biennium, and they only become available if the amounts collected by TDI were in excess of the Comptroller’s Biennial Revenue Estimate of \$1.5 million. Table 2 shows how funds from both funding sources were allocated between grantees during the biennium.³

TDI awarded appropriated general revenue funds under one grant, referred to as the Appropriations grant, and the funds from the collection of fines, penalties, and sanctions under another grant, referred to as the Fines grant. Again, the programs applied for grant funds jointly, this time as the TexHealth Coalition. The TexHealth Coalition was comprised of six members:

- TexHealth El Paso (El Paso County)
- TexHealth North Texas (Dallas County)
- TexHealth Harris County (Harris County)
- TexHealth Central Texas (Burnet, Hays, Travis and Williamson Counties)
- TexHealth Brazos Valley (Brazos, Burleson, Grimes, Leon, Madison, Robertson, and Washington Counties), and
- The University of Texas Medical Branch (UTMB) Three-Share Plan (Galveston County).

The Brazos Valley Council of Governments (BVCOG), which operates the TexHealth Brazos Valley three-share premium assistance program, served as the grant manager for both grants in the 2010 and 2011 biennium. TDI awarded \$790,000 under the Appropriations grant, which the coalition split among the six members based on the coalition’s proposal. The fines, penalties, and sanctions collected during the biennium totaled \$1.76 million, which the coalition also split among the six members. The BVCOG received additional funding for its grant management services.

By September 2010, five of the six programs were enrolling small businesses and using part of the grant funds for the third share of premiums for qualified members. During FY 2011, two of the three-share premium

² Rider 15, page VIII-23, Chapter 1424 (SB 1), Acts of the 81st Legislature, Regular Session, 2009 (the General Appropriations Act)

³ Section 17.08, page IX-69, Chapter 1424 (SB 1), Acts of the 81st Legislature, Regular Session, 2009 (the General Appropriations Act)

assistance programs ceased operations. TexHealth El Paso closed in June 2011, never beginning enrollment. TDI grant funds for the El Paso program totaled \$383,966. TexHealth North Texas closed at the end of August 2011 with three groups and 13 enrollees. The North Texas program received \$484,698 in grant funds.

Summary of grants in 2012-2013

For the 2012-2013 biennium, the 82nd Legislature again appropriated funds for three-share premium assistance programs from two sources, the appropriation of general revenue and funds from fines, penalties, and sanctions to health insurers.

The General Appropriations Act (HB 1) of the 82nd Texas Legislature included rider 15, which designated \$422,375 in each fiscal year of the biennium to award grants to the three-share premium assistance programs and for TDI’s grant administration. The rider also designated up to \$1.5 million of fines, penalties, and sanctions collected from health insurers by TDI during each fiscal year.⁴ The Comptroller’s Biennial Revenue Estimate was \$0, so the first dollar of revenue from these collections is available to the three-share premium assistance programs. Table 3 shows the distribution of funds currently budgeted under each funding source. TDI combined the sources of funding to award one grant through a grant application process.

Table 3: 2010-2011 Grant Award

Three-share Premium Assistance Program	Appropriation Awarded	Fines, Penalties, & Sanctions Awarded*
Brazos Valley	\$99,502	\$0
Central Texas	\$327,751	\$0
Harris County	\$51,643	\$0
UTMB	\$274,860	\$0
Total	\$753,756	\$0

*TDI has collected no fines, penalties, or sanctions from health insurers to date.

The four remaining three-share premium assistance programs again applied jointly as the TexHealth Coalition, and the BVCOG served as the grant manager for the coalition. At the time of application, the coalition included TexHealth Brazos Valley, TexHealth Central Texas, TexHealth Harris County, and the University of Texas Medical Branch Multi-Share Plan.

During FY 2012, TDI did not collect any fines, penalties, or sanctions from health insurers. As a result, the full amount of funding available to the three-share premium assistance programs after TDI’s administrative expenses was \$367,375 from the appropriated general revenue funds. TDI reports routinely to BVCOG and the coalition members to keep them apprised of the status of fine collections and ensure program grant budgets accurately reflect the funding available. As of November 2012, TDI has not collected any fines, penalties, or sanctions from health insurers in FY 2013.

The BVCOG notified TDI in August 2012 that the TexHealth Brazos Valley program would end enrollment as of August 31, 2012, and would finish operations by December 2012. The program cited the uncertainty in funding from fines, penalties, and sanctions collected by TDI; combined with the loss of federal funding; and a lack of other local funding sources as a reason for closing.

With the closure of the Brazos Valley three-share premium assistance program, the BVCOG is still serving as the grant manager for the TexHealth Coalition. TDI was able to free some additional funds from allocated administrative expenses in 2013 so the appropriated general revenue funds available is \$386,381 for the three programs in operation (Central Texas, Harris County, and UTMB) with a portion for Brazos Valley grant management duties.

⁴ Rider 15, page VIII-23, Chapter 1355 (HB 1), Acts of the 82nd Legislature, Regular Session, 2011 (the General Appropriations Act)

In December 2012, TexHealth Harris County informed TDI that the program would end its relationship with the Harris County Healthcare Alliance, which initially developed the program and appointed members to the program’s Board of Directors. The program is now overseen by an independent, self-perpetuating board and is operated by Community Health Choice staff.

Overview of total grant funds awarded as of August 31, 2012

Table 4: Three-Share State Grant Funding^[1]

Three-Share Premium Assistance Program	TDI Grant Periods					Total
	FY 2008-2009	Appropriation FY 2010-2011	Fines FY 2010-2011*	FY 2012-2013**	HHSC SHAP Grant Funds	
TexHealth Central Texas	\$147,500	\$223,500	\$664,049	\$327,751	\$829,777	\$2,192,577
TexHealth Harris County	\$147,500	\$192,500	\$256,367	\$51,643	\$288,059	\$936,069
TexHealth El Paso	\$186,685	\$46,000	\$151,281	Closed	N/A	\$383,966
TexHealth North Texas	\$142,953	\$192,500	\$149,245	Closed	\$12,900	\$497,598
TexHealth Brazos Valley	N/A	51,500	\$233,772	\$99,502	\$138,053	\$522,827
UTMB Multi-Share Plan	N/A	\$84,000	\$303,069	\$274,860	N/A	\$661,929
Total	\$624,638	\$790,000	\$1,757,783	\$753,756	\$1,268,789	\$5,194,966

[1] Grant funds unused at the end of each grant period returned to TDI have been subtracted from totals.

*\$1.5 million in fines were collected in FY 2010, \$266,500 were collected in FY 2011.

**Based on approved budgets. Programs have not yet spent all of 2013 funds.

Between 2008 and 2012, TDI awarded \$3.58 million in grant funds to six different three-share premium assistance programs. Another \$386,381 (with the potential for an additional \$1.5 million) is available to programs operating in 2013. Between 2010 and 2012, the Texas Health and Human Services Commission also provided \$1.27 million in grant funding to the three-share premium assistance programs from the federal State Health Access Program (SHAP) grant. Programs could use those funds for third-share premium subsidies and some program administration. El Paso and UTMB did not receive funds from the SHAP grant.

Two programs, North Texas and El Paso, had unused grant funds to TDI following the end of the 2008-2009 biennial grant period. El Paso returned \$30,815, and North Texas returned \$4,548 to TDI under this grant. After North Texas closed, the program also returned \$8,716 in unused third-share subsidy funds to TDI from the 2010-2011 Fines grant. The programs recently began invoicing against the 2013 funds. Table 4 shows the distribution of TDI grant funds among the programs during each biennium and includes the total grant funds programs received from HHSC. The 2012-2013 biennium column includes the 2013 funds budgeted, but not yet spent.

Funding for Administration

Under the grants, the three-share premium assistance programs could use grant money to cover program administration and to subsidize a portion of the health plan premiums for low-income enrollees. The TDI grants allowed programs to include salaries, supplies, equipment, travel, contracted services, and other operational expenses for the program.

The proportion of grant funds used for administration versus third-share premium subsidy varies widely between the three-share premium assistance programs. Each program has a different structure, from TexHealth Central Texas, which is an independent non-profit entity to the UTMB Multi-Share Plan, which operates as a program within the UTMB Health System. The UTMB program is able to use 100 percent of its grant funding for the third share of premiums but TexHealth Central Texas has used about 73 percent for the third share of premiums and 27 percent of its total grant funding for salaries and administrative expenses.

TexHealth Brazos Valley began enrolling members later than the other programs, and the BVCOG, which operated the Brazos Valley program, also served as grant manager. Because of those factors, Brazos Valley used 4 percent of its grant funding for third-share subsidy and 96 percent for administration. Brazos Valley also had a local grant from Saint Joseph Regional Health System and received federal grant funds for third-share subsidies.

For the majority of TDI’s grant funding history, TexHealth Harris County has been a non-profit entity founded by the Harris County Healthcare Alliance, which also had fiscal support from its third-party administrator, Community Health Choice. The program also received local funding from local and federal grants for third-share subsidy. Harris County has used 32 percent for third-share subsidy and 68 percent of its total grant funding for administration.

TexHealth El Paso used its grant funds for administration, which included salaries, research, planning, and development. TexHealth North Texas refunded the majority of its third-share subsidy funds after ending operations, and used 99.9 percent of grant funds for administration and operations.

Enrollment

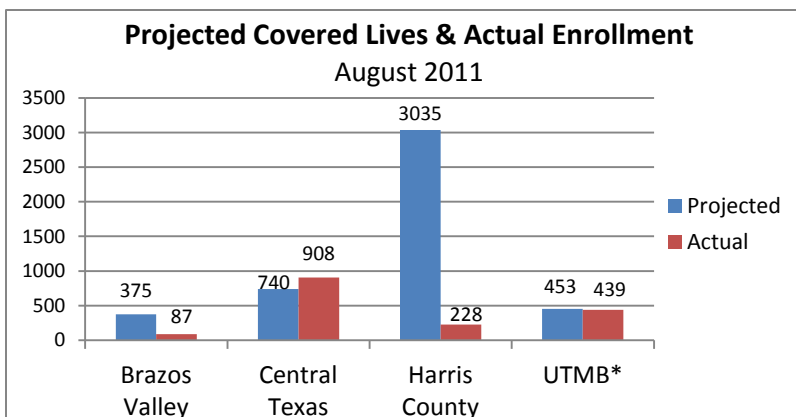
The three-share premium assistance programs report enrollment to TDI on a quarterly basis. The TexHealth Coalition reported a total of 1,835 enrollees and 514 small businesses through the end of FY 2012. This total includes TexHealth Brazos Valley’s enrollment. Table 5 shows the enrollment breakdown by program. Because Brazos Valley is ending operations, it will have no enrollees in FY 2013. Enrollment in the three-share premium assistance programs has been slower than programs initially projected. Programs have noted the need for intense marketing efforts to attract new enrollment.

Table 5: Enrollment through August 2012

Three-Share Premium Assistance Program	Total Businesses	Subsidized Enrollees	Total Enrollees
TexHealth Central Texas	262	662	883
TexHealth Harris County	84	328	390
TexHealth Brazos Valley	27	19	85
UTMB Multi-Share Plan	141	348	477
Coalition Total	514	1,357	1,835

The coalition’s grant proposal, submitted in February 2010, projected the six programs combined would cover 10,000 Texans during the initial pilot period. Early in FY 2011, the three-share premium assistance programs

Figure 1: Projected Versus Actual Enrollment



Source: Projected enrollment is from initial Healthy Texas Applications submitted November 2011.
 Actual enrollment was reported by coalition in September 2011.
 *UTMB did not apply for Healthy Texas. Initial projection was made in August 2011.

provided TDI with program-level enrollment projections. As Figure 1 depicts, two programs had projections that exceeded actual enrollment during FY 2011, with one doing slightly better and another right on target. El Paso and North Texas also provided projections, but were not included in Figure 1 because they are no longer operating. Because El Paso was further behind operationally than the other coalition members were, it projected that the program would only begin enrolling by the end of FY 2011. The El Paso program had no enrollees by the time it closed in June 2011. North Texas initially projected the program would cover 579 members by August 31, 2011, but had only 13 members

by that date and opted to end operations. Combined coalition enrollment, including North Texas was 1,675 at the end of FY 2011.

Since program enrollment during FY 2010 and FY 2011 did not align with initial projections, TDI requested revised enrollment projections along with an explanation of any changes from initial projections. Programs cited the slow economic recovery and marketing challenges as reasons for slower than expected enrollment. Central Texas slightly exceeded projections and UTMB equaled them.

GRANTEE SELECTION FOR 2012-2013 BIENNIUM

TDI developed a request for applications (RFA) process to meet the directives in the General Appropriations Act that the grant be awarded through a competitive application process to local government entities with the goal of increasing access to private health care coverage for the uninsured. The RFA was designed to ensure a fair selection process, as well as sufficient oversight and accountability for state funds. TDI required detail about program organizational structure, processes, program objectives, and performance measures. The RFA included a requirement to provide more details about other sources of funding, complete program budgets, and projected revenues during the biennium.

TDI engaged in a thorough solicitation process for this RFA, which established the parameters required for the three-share premium assistance programs to receive the appropriated funds. As part of the evaluation process, TDI considered the availability of local matching funds, the uninsured population in each area, existing community efforts to pursue premium assistance programs, and local health care use and delivery factors affecting the health care infrastructure, and the capacity in each community.

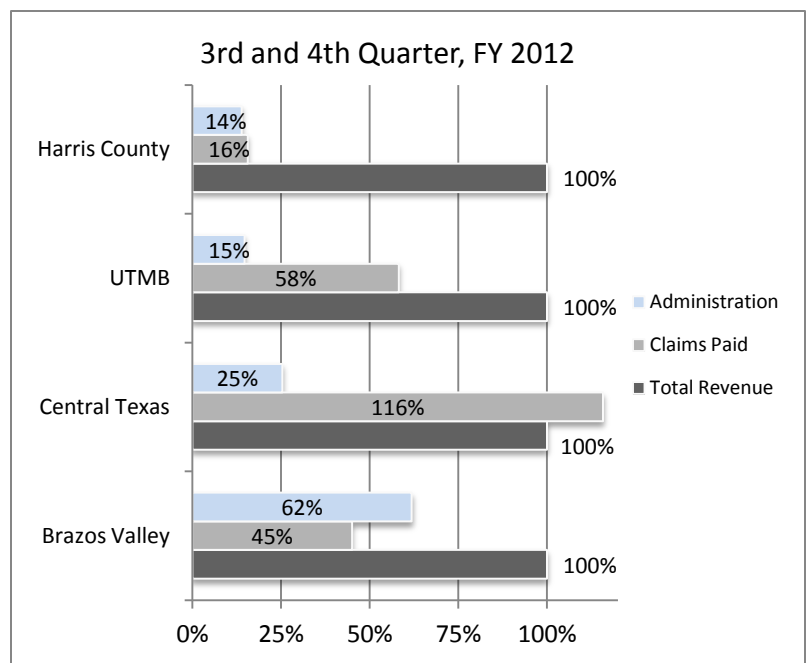
TDI is currently distributing funds on a monthly basis contingent on the coalition’s compliance with the grant contract agreements. The coalition submits monthly expense and budget reports for each invoice period. The expense reports include the detail behind the salary, contract, and subsidy line items in the invoice. In addition to monthly invoices for payment, the coalition submits a status report on a quarterly basis that breaks down the progress for each three-share premium assistance program.

The status report includes:

- current enrollment numbers
- premium and claims data
- program revenues, and
- any meeting minutes in the quarter from program governing boards.

Figure 2 shows the percentage of total revenue that each program has spent on claims paid and administration during the final two quarters in FY 2012 as reported by each program.

Figure 2: Claims and Administration as Percent of Revenue



Description of TexHealth Coalition members

Two of the three currently operating three-share premium assistance programs serve populations in multiple counties. At the time of application, the TexHealth Harris County program served both Harris and Fort Bend Counties. TexHealth Central Texas served Burnet, Hays, Travis, and Williamson Counties. In FY 2012, TexHealth Central Texas received formal approval from the Bastrop and Milam County Commissioners' Courts to offer coverage to small businesses in those counties. The UTMB Multi-Share Plan serves only residents of Galveston County. Until its dissolution in August 2012, TexHealth Brazos Valley served Brazos, Burleson, Grimes, Leon, Madison, Robertson, and Washington Counties.

Each three-share premium assistance program offers coverage to small employers with between two and 50 employees. Within those groups, employees earning 300 percent of the federal poverty level or less can qualify for the third-share premium subsidy. Three-share premium assistance programs do not provide dependent coverage and their benefit packages are usually limited.

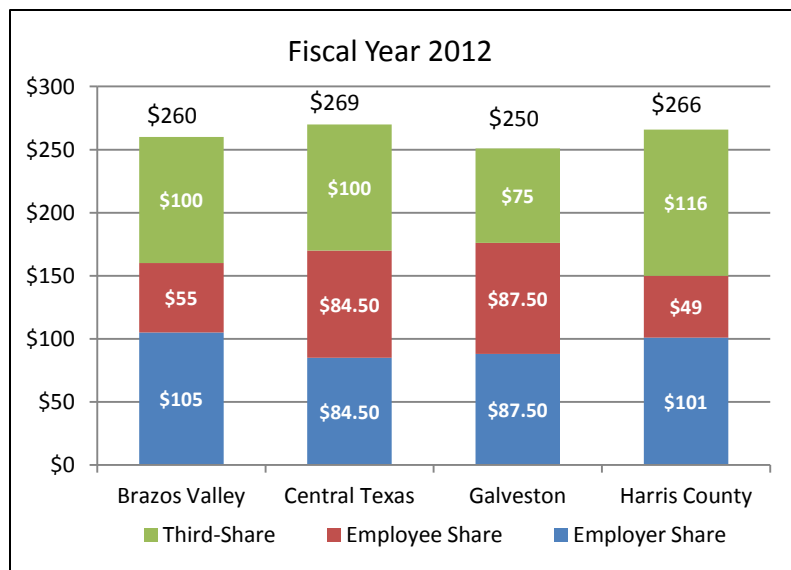
Table 6: Regional Uninsured Populations Under 65

3-Share Region	Total Population	Total Uninsured Population	Percent Uninsured
Brazos Valley	264,187	63,095	23.9%
Central Texas	1,489,197	321,340	21.6%
UTMB	255,638	55,473	21.7%
Harris County	4,275,541	1,223,606	28.6%

Source: U.S. Census Bureau, Small Area Health Insurance Estimates 2010

The population of uninsured adults under age 65 varies widely from region to region. The Harris County program includes the City of Houston and the total proportion of the working-age population without health insurance is just under 29 percent. Despite serving the most counties, the Brazos Valley Program covered a rural population of only 264,187 and a 24 percent uninsured rate. See Table 6 for each program's regional uninsured populations.⁵

Figure 3: Employer, Employee, Third-Share Split



Approximately 75 percent of the TexHealth Coalition enrollees are eligible for the third-share premium subsidy. Though the three-share premium assistance programs have similar eligibility requirements, benefit plans between programs vary along with the total cost of coverage and the amount of the third-share subsidy and employer and employee premium split. Average premiums in FY 2012 were \$260 per month for Brazos Valley, \$269 for Central Texas, \$250 for UTMB, and \$266 for Harris County. The Harris County program charges a different rate to members in three age bands, 18-34, 35-49, and 50-64. Figure 3 shows the premium splits for each program by the end of FY 2012. During 2012, TexHealth Brazos Valley adjusted how it

⁵ U.S. Census Bureau, Small Area Health Insurance Estimates, 2010, <http://www.census.gov/did/www/sahie/data/interactive>

split premiums after the Saint Joseph Health System reduced its contribution from \$50 a month per enrollee to \$25.

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 Senate Bill 78. TDI published an initial RFA, developed with input from TDI's actuarial and financial areas, in September 2010.

Given TDI's accountability for state dollars allocated to the Premium Stabilization Fund, the application process for Healthy Texas was more rigorous. The programs applied independently for Healthy Texas, rather than as a coalition. Five programs originally submitted applications. 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, shortly after receiving applications, TDI assembled financial, legal, and purchasing staff to meet with the TexHealth Coalition to discuss the application deficiencies and answer questions about requirements. A primary goal of the meeting was to help the applicants understand standard financial reporting formats to ensure that their financial soundness materials contained all the necessary information.

North Texas and El Paso ended operations without completing Healthy Texas applications. The RFA expired after being open for a year without any three-share premium assistance program submitting a complete response. TDI issued a new Healthy Texas RFA in November 2011. Programs in Brazos Valley, Central Texas, and Harris County submitted responses by the mid-December 2011 deadline.

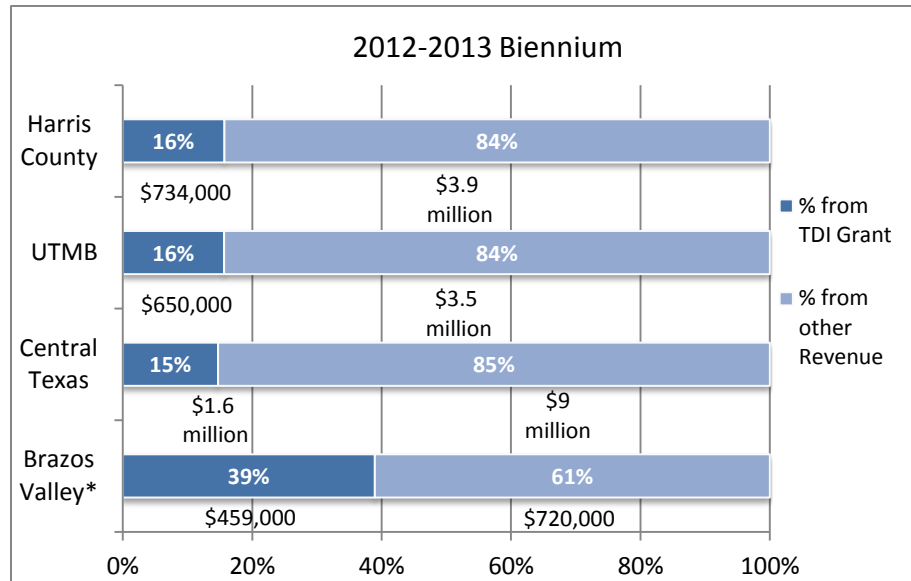
TDI worked with applicants over the next few months to provide guidance on information that was missing or needed additional clarification. With ongoing assistance from TDI staff in financial, legal, and purchasing, both TexHealth Central Texas and TexHealth Harris County successfully completed applications, 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.

OVERSIGHT AND ACCOUNTABILITY

With the closure of two three-share premium assistance programs in FY 2011 and issues identified through three-share applications for Healthy Texas, TDI undertook increased oversight of these programs under new contracts. TDI included additional reporting and a more detailed procedure for budget change requests in the grant agreement for new funds appropriated by the 82nd Legislature. The programs also submitted detail on the total projected operating budget for the program in addition to state funds requested to provide a more complete picture of project expenses covered through other local funding sources. Figure 4 shows the proportion of state funding for each program's operating budget at the time of application.

In addition, the TexHealth Coalition and TDI began discussing a regulatory framework that would allow for oversight of the three-share premium assistance programs. As part of those discussions, TDI collaborated with the Texas Health and Human Services Commission (HHSC) to conduct an audit of grant funding provided to each program from the 2008-2009 biennium through the end of FY 2011. This section includes a summary of findings from that audit and recommendations if the legislature continues three-share funding.

Figure 4: State Grant Funding as Percentage of Budget



*Portion budgeted for coalition grant management not reflected.

Audit of previous grants

TDI conducted an audit of the three-share premium assistance programs that received state funding during each grant period, beginning with grants awarded in 2008. TDI joined with HHSC, which also provided grant funds to several of the three-share premium assistance programs from the federal State Health Access Program (SHAP). The three-share premium assistance programs used SHAP funds primarily for the third share of premiums. The SHAP grant ended in August 2012.

The agencies announced the audit in December 2011, which covered only grant expenditures for the 2008-2009 and 2010-2011 biennia. Not all programs received grant funds during each grant period, so the agencies audited each program for the period for which it received grant funds. The audit did not include a review of grant spending under the current contract for the 2012-2013 biennium.

Table 7: Programs Receiving TDI- and HHSC-Administered Grants

Three-Share Premium Assistance Program	TDI Grant Periods		HHSC Grant Periods	
	Fiscal Year 2008-2009	Fiscal Year 2010-2011	Fiscal Year 2010	Fiscal Year 2011
TexHealth Brazos Valley		✓	✓	✓
TexHealth Central Texas	✓	✓	✓	✓
TexHealth Harris County	✓	✓	✓	✓
UTMB Multi-Share Plan		✓		
TexHealth El Paso	✓	✓		
TexHealth North Texas	✓	✓	✓	✓

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. The El Paso and North Texas programs both ceased operations prior to this audit, but evaluators were able to review documentation from each.

Methodology

An evaluation team comprised of staff with expertise in financial analysis, quality assurance, and grant administration from TDI and HHSC reviewed the documentation submitted prior to the site visit. Upon completion of the desk review, grant administration staff from TDI and HHSC went to TexHealth Brazos Valley's offices to conduct interviews, verify procedures and expense records, and ask any questions that arose from the desk review.

The audit focused primarily on

- compliance with grant requirements
- use of adequate quality assurance methods, and
- adherence to appropriate financial management and accounting procedures.

To evaluate grant compliance, the evaluation team looked at the structure of each grant agreement with TDI and HHSC to determine whether the program was operating in accordance with each agreement.

Since state and federal grant funds are supporting enrollment into these plans, TDI and HHSC evaluated how these programs are handling claims payments, complaints, appeals, utilization management, and overall quality management. Evaluators reviewed policies, procedures, reports, other supporting documentation, and interviewed staff from the three-share premium assistance programs and the program third-party administrators.

In addition, because these programs are not regulated entities, TDI and HHSC also evaluated

- how programs were calculating reserves in order to ensure incurred claims can be paid
- whether programs were managing grant funds in combination with other revenues to meet obligations, and
- whether the accounting procedures in place provided adequate safeguards to ensure that the program was managing finances accurately.

Audit Findings Summary

The three-share premium assistance programs are new and maturing local and regional entities. As with any start-up program or organization, the three-shares faced challenges as they began enrolling and growing. 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 whether program reserves are adequate to cover obligations in the event of other program closures.

Some programs showed a better ability to account for grant funds than others. 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. To reflect these differences, the audit team developed findings specific to each program.

All programs appeared to be following quality assurance practices that were consistent with industry standards. Each program had a state licensed third-party administrator that tracked claim denials, administered the

complaint and appeals process, and performed utilization reviews and other services related to quality assurance. Because these programs are self-funded products, third-party administrators followed the Employee Retirement Income Security Act requirements and some indicated they also use state standards for Medicaid managed care organizations. Most of the programs operated case management programs designed to assist higher-risk patients with managing chronic illnesses, preventing hospital readmissions, and avoiding complications.

Actions to resolve findings

Several of the programs indicated that the exercise of going through the audit process helped in identifying areas for improvement. Evaluators worked with program staff to provide technical guidance during and after the audit. In areas where there were errors in grant accounting, TDI and HHSC staff worked with programs to resolve any outstanding issues. TDI worked with program staff to ensure the program correctly allocated allowable expenses to any remaining grant funds within the correct periods. Programs provided supporting documentation showing any adjustments made to correct errors in accounting.

Several of the findings stemmed from confusion around separate contracts for the Appropriations grant and for the Fines grant in FY 2010 and FY 2011 and different reimbursement methods for each. To increase administrative simplicity beginning in FY 2012, TDI combined the appropriated funds and any fines, penalties, and sanctions collected into one grant. Several of the programs have indicated that this improved their ability to track grant spending. In the new grant agreement, 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.

RECOMMENDATIONS

If the Legislature continues funding grants for these programs in the future, TDI recommends giving TDI oversight authority beyond grant administration powers. While oversight of TDI grant funds has given the department some insight into financial and operational issues, a more formal oversight relationship could provide three-share premium assistance programs with a framework for stronger operational and fiscal management. The additional authority should not extend to the full scope of regulation afforded insurance companies, but rather should be tailored to these entities, including

- providing initial approval to operate within the state
- allowing TDI to conduct periodic financial audits to evaluate financial stability
- setting appeals and complaint requirements, and
- ensuring an adequate network.