

Texas Department of Insurance

# Three-Share Premium Assistance Programs Biennial Report

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December 2024

**TDI** | Texas Department  
of Insurance



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by the

**Texas Department of Insurance**

Submitted December 2024

A handwritten signature in black ink, appearing to read "C. Brown", with a long horizontal flourish extending to the right.

Cassie Brown  
Commissioner of Insurance

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# Background

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In 2007, the Texas Legislature added [Chapter 75](#) to the Health and Safety Code, which allows local entities to establish health care programs for small employers. Grant funding to develop and operate three-share premium assistance programs is provided through the General Appropriations Act.

The three-share assistance programs use state funds to subsidize premiums for low-income employees of small businesses. Typically, the employer and employee pay the premium. Chapter 75 also requires three-share programs to seek funding from grants, donations, or gifts to reduce costs for employees and employers.

The programs:

- Improve the health of employees of small employers by improving access to health care and insurance.
- Reduce reliance on state-supported programs, like Medicaid.
- Improve small employers' economic conditions by improving the health of employees and providing health care benefits to help attract employees.
- Encourage innovative solutions for providing health care services and benefits.

Though eligibility requirements vary between programs, employers that want to take part in the program must offer a group health plan and share the cost of the health plan with their employees. The third-share subsidy is available for low-wage employees of employers who enroll in coverage.

## Oversight and accountability

Three-share programs aren't regulated as insurance companies. However, the General Appropriations Act directs TDI to administer the grants and the grant application process to ensure continued accountability from grantees.

## Funding background

In 2007, the Texas Legislature passed [Senate Bill \(SB\) 10](#), which provided initial funding from General Revenue (GR) funds collected from insurance company maintenance taxes and fees.

In 2011, the Legislature appropriated more funds from fines, penalties, and sanctions paid by regulated entities and deposited them to GR funds.

These funds aren't available until after the fiscal year biennial revenue estimates are met. If the estimates aren't met, grant funds aren't available. Appropriation riders allow TDI to use unspent fines from previous fiscal years.

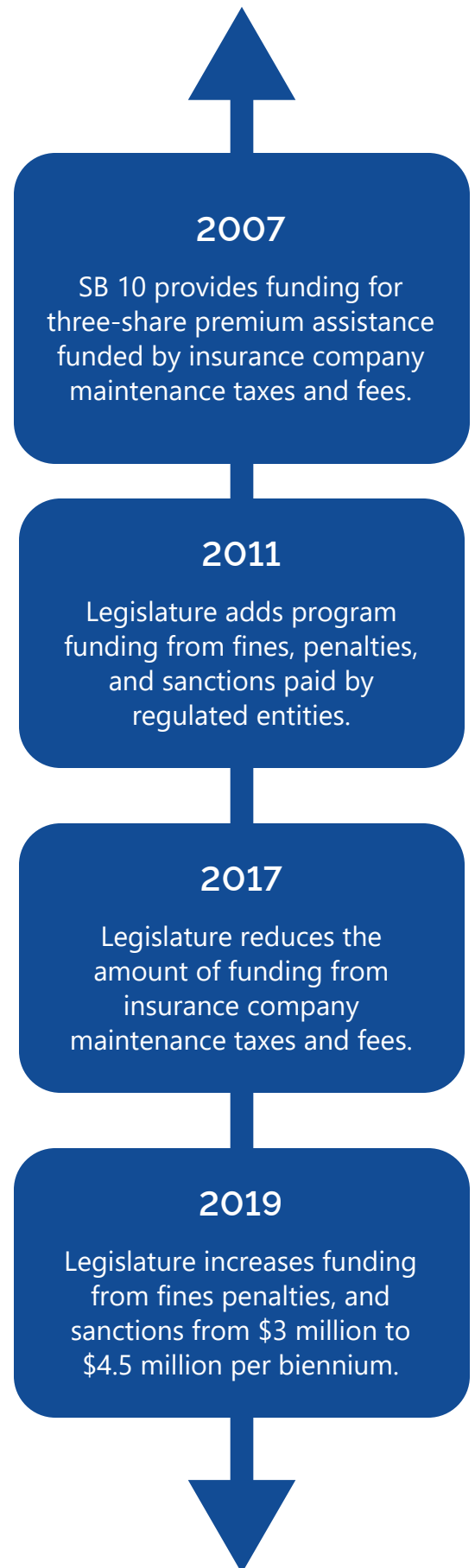
From 2010 to 2012, the programs also received grant funds from a federal State Health Access Program (SHAP) grant delivered through the Texas Health and Human Services Commission (HHSC).

In 2017, the Legislature reduced the funding from insurance company maintenance taxes and fees. Since then, over 95% of the programs' funding has come from fines, penalties, and sanctions. The funding from maintenance taxes and fees pays for a TDI employee to supervise the grant program.

In 2019, the Legislature increased funding from fines, penalties, and sanctions from \$3 million to \$4.5 million.

### State-administered grant funds

Grant period biennium	Total grants
2008–09	\$ 624,638
2010–11	3,212,039
2012–13	1,358,289
2014–15	1,989,381
2016–17	3,694,929
2018–19	3,743,422
2020–21	3,841,278
2022–23	3,928,891
2024–25	4,695,000
<b>Total</b>	<b>\$ 27,087,867</b>



# Overview

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## Grant award summary

TDI uses a competitive application process to award three-share grant funds. TDI experts evaluate applications and recommend grant amounts.

Three-share premium assistance programs have evolved since the initial 2008–09 grant cycle. Programs used to apply for grant funds as a coalition. Now they apply independently. Since fiscal year 2018, there have been more requests than available funds. TDI adjusted grant procedures to strengthen reporting requirements and ensure better financial management by grantees.

## Grantee selection process

Each odd-numbered year, TDI develops a request for applications to find qualified applicants for the upcoming grant cycle. The request includes four areas the Legislature instructed TDI to use when selecting grantees.

TDI considers:

- Proposals to match grant awards with local funds.
- Percentage of uninsured in the applicable area.
- Existing efforts in pursuing three-share premium assistance programs.
- Health care and delivery factors affecting the area's health care infrastructure and capacity.

## Authorized program types

Chapter 75 allows for 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 to members.
- Helping to buy commercial insurance plans for employees of member small businesses.
- Chapter 75 provides broad authority for developing eligibility criteria if an employer shares premiums or other coverage costs. As a result, the TexHealth and UTMB programs are different.

## Current program participants

Initially, six entities took part in the program. Two are currently in operation.

- **TexHealth Central Texas** has participated in the three-share grant program since 2008. The TexHealth program helps employees buy commercial small employer coverage.
- **The University of Texas Medical Branch at Galveston (UTMB)** has operated its program since before SB 10 was enacted in 2007. The UTMB program provides a noninsurance limited benefit health plan.

## Grantee spending by grant cycle

Program	2008–17*	2018–19	2020–21	2022–23	2024–25†	Total
TexHealth	\$ 5,817,288	\$ 2,252,134	\$ 2,257,644	\$ 2,293,835	\$ 1,262,706	\$ 13,883,608
UTMB	2,213,414	1,491,288	1,583,634	1,635,056	923,351	7,846,743
<b>Total</b>	<b>\$ 8,030,702</b>	<b>\$ 3,743,422</b>	<b>\$ 3,841,278</b>	<b>\$ 3,928,891</b>	<b>\$ 2,186,058</b>	<b>\$ 21,730,351</b>

Note: Some totals may not equal due to rounding.

\* TexHealth spending in 2008–17 includes \$829,777 in funds awarded from the HHSC SHAP grant.

† Paid through August 31, 2024.

## Previous program participants

The following entities previously took part in the program:

- Harris County – closed in fiscal year 2017.
- Brazos Valley – closed in fiscal year 2012.
- North Texas – closed in fiscal year 2011.
- El Paso – closed in fiscal year 2011.

## Historical spending by grant cycle

Program	2008–09*	2010–11†	2012–13‡	2014–15	2016–17	HHSC SHAP	Total
Harris County	\$ 147,500	\$ 448,866	\$ 51,643	\$ 387,275	\$ 120,841	\$ 288,059	\$ 1,444,184
Brazos Valley	N/A	285,271	99,502	Closed	Closed	138,053	522,826
North Texas	142,953	341,745	Closed	Closed	Closed	\$12,900	497,598
El Paso	186,685	197,281	Closed	Closed	Closed	N/A	383,966
<b>Total</b>	<b>\$ 477,138</b>	<b>\$ 1,273,163</b>	<b>\$ 151,145</b>	<b>\$ 387,275</b>	<b>\$ 120,841</b>	<b>\$ 439,012</b>	<b>\$ 2,848,574</b>

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

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

‡ Less funding was available in fiscal years 2012 and 2013 because TDI only collected \$266,500 in fines and penalties in fiscal year 2011.

## Current grant period

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The 2023 Legislature increased the appropriation for TDI administration from \$64,300 to \$66,786 during fiscal years 2024 and 2025. It also kept the \$2.25 million appropriation limit for grant funding from fines for each year.

During fiscal years 2022 and 2023, biennial revenue estimates were exceeded and TDI collected the full \$2.25 million each fiscal year. When making the 2024–25 grant awards, TDI awarded the full \$4.5 million from fines and penalties collected in fiscal years 2022 and 2023. Another \$195,000 carried over from previous grant periods, making the total grant award \$4,695,000.

### Grant application considerations

TDI received applications from two programs for the 2024–25 grants: UTMB and TexHealth.

TDI considered:

- Grant proposal strength.
- Total funding requests.
- Projected enrollment.
- Proportion requested for premium assistance compared to administrative expenses.
- Applicants' access to local matching funds.

TexHealth asked to continue a monthly \$110 per member subsidy. TDI awarded TexHealth a \$2.79 million grant, with 17% for administrative expenses. In the 2024–25 grant, the limit on administrative expenses was structured as a target, rather than a strict monthly cap. This change gives TexHealth more operational flexibility and accommodates annual expenses. TexHealth met that target in fiscal year 2024.

UTMB asked to increase the per member subsidy from \$200 to \$225. TDI approved an increase to \$205 a month per member to maximize the number of enrollees. TDI awarded UTMB a \$1.904 million grant, with less than 8% for administrative expenses.

Both grant awards allowed for small increases in administrative expenses. The grants also provided room for the programs to increase the number of subsidized employees by about 10% compared to the enrollment levels at the time of application.

### 2024–25 grant spending

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Program	Subsidy recipients	Monthly subsidy per member	Grant funds approved*	Spending through Aug. 2024	Admin. expenses
TexHealth	815	\$ 110	\$ 2,791,000	\$ 1,262,706	17%
UTMB	345	205	1,904,000	923,351	8%
<b>Total</b>	<b>1,160</b>	<b>\$ 315</b>	<b>\$ 4,695,000</b>	<b>\$ 2,186,058</b>	<b>-</b>

Note: Some totals may not equal due to rounding.

\* Actual grant payment amounts are subject to subsidy-eligible enrollment and documentation of expenses.

## TexHealth

### Program overview

TexHealth is an independent nonprofit organization and originally operated with other regional programs as part of the Texas Communities Healthcare Coalition. It initially provided a self-funded benefit plan but ended coverage for 864 members in May 2013 due to a lack of funding. After the implementation of the Affordable Care Act in 2014, TexHealth redesigned their program to help small employers and employees buy commercial coverage in the small employer group market. Since 2018, TDI has limited TexHealth administrative expenses to 17% of the total grant award.

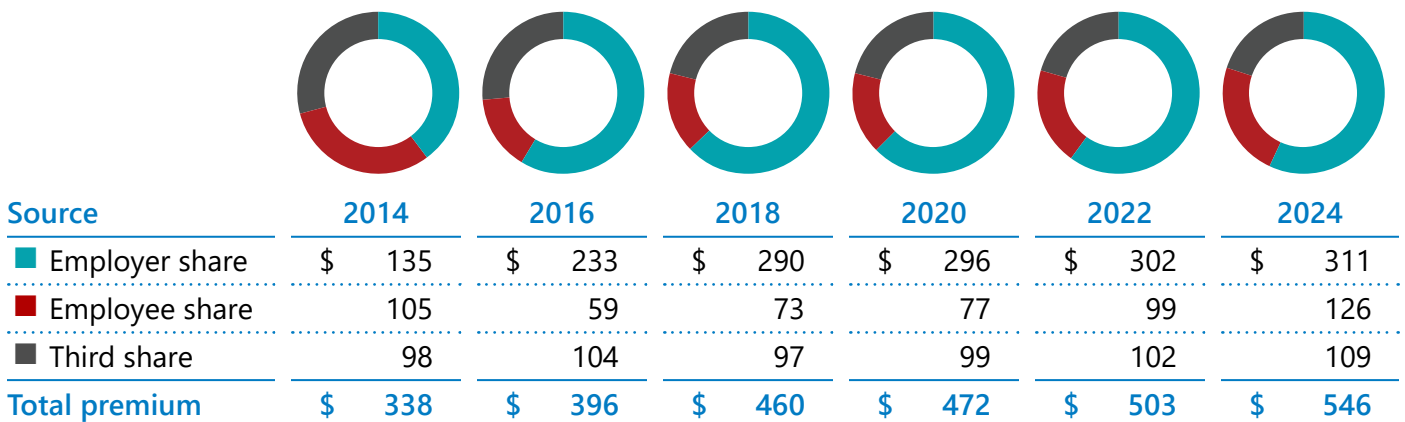
In fiscal year 2024, TexHealth added Bexar, Dallas, and Tarrant counties to their service area. The TexHealth service area also includes Bastrop, Bell, Burnet, Harris, Hays, McLennan, Milam, Travis, and Williamson counties. Since 2009, TexHealth has received \$13.88 million in TDI grant funds.

### Program costs

The TexHealth program subsidizes commercial health plan premiums for employees with income at or below 400% of the federal poverty level. Premiums in the commercial market have increased since 2014, so the percentage covered by the third share subsidy has decreased over time.

Premiums vary by plan. Eligible employees qualify for a \$110 monthly subsidy. During fiscal year 2024, the average subsidy was \$109 and the average premium was \$546.

### TexHealth program cost shares by fiscal year

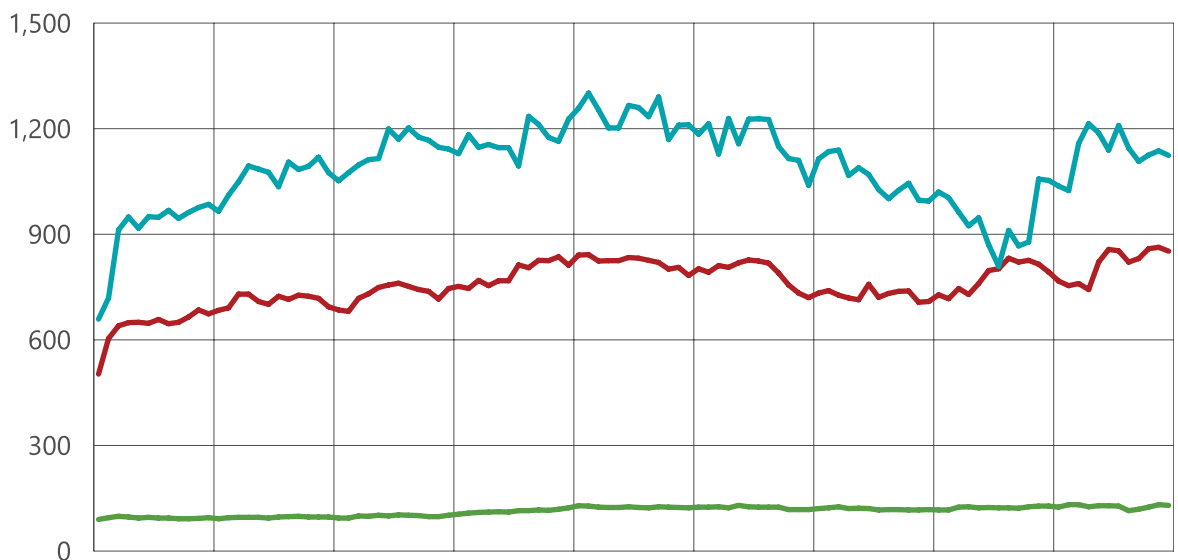


## Program enrollment

The program grew steadily from 2013 through 2019 but started seeing a decrease in enrollment in 2020 due to the pandemic’s impact on small businesses and the labor market. The number of subsidized employees fell from 834 in February 2020 to 707 in July 2022. To grow enrollment, TexHealth increased outreach efforts to agents serving the small employer market. Enrollment increased and stabilized in 2023.

In fiscal year 2024, TexHealth met its goal to steadily grow enrollment, increasing from 767 subsidized employees in September 2023 to 852 in August 2024. The program provided premium subsidies to about 815 employees each month in fiscal year 2024, which is 72% of the 1,134 enrolled employees. With TDI’s approval of a cost-neutral budget amendment, TexHealth plans to use unspent funds from fiscal year 2024 to subsidize more employees in fiscal year 2025.

## Average TexHealth enrollment by fiscal year



Enrollment type	2016	2017	2018	2019	2020	2021	2022	2023	2024
■ Employees	908	1,066	1,138	1,168	1,238	1,167	1,059	942	1,134
■ Subsidy recipients	639	712	731	790	822	792	728	781	815
■ Businesses	94	96	99	114	125	124	120	124	127

## Looking forward

TexHealth expects to continue to grow enrollment in fiscal year 2025. Using existing grant funds, the program could enroll up to 1,000 subsidy-eligible employees. However, the existing grant funds include \$195,000 from previously unspent grant awards on top of the \$4.5 million appropriated. This enrollment level isn’t sustainable in future grant periods if available funds are lower than the 2024–25 grant award.

## UTMB

### Program overview

UTMB is the longest participating program. The program contracts with UTMB health care providers to serve enrolled employees and with a third-party administrator to pay claims.

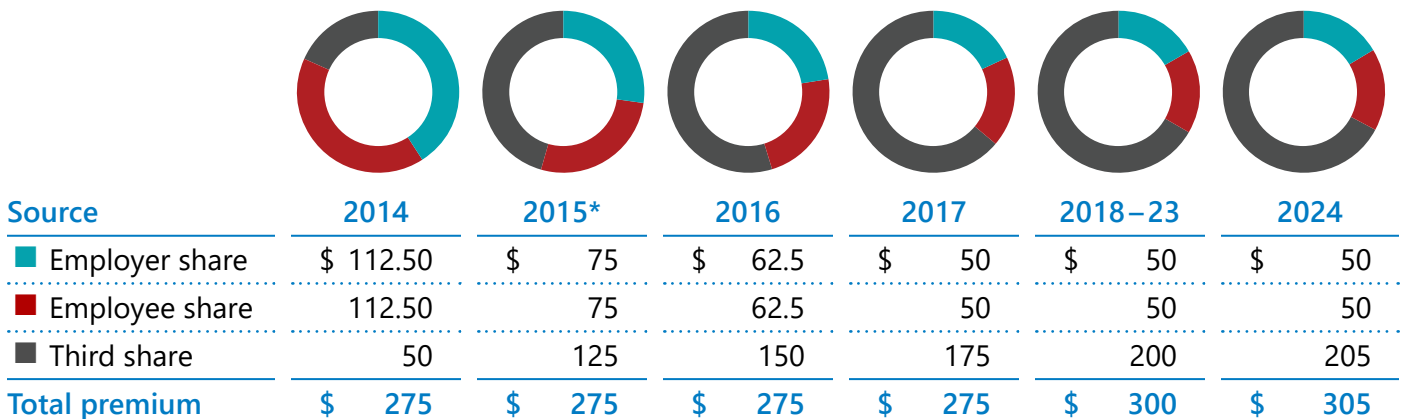
The plan was funded in 2008 through a grant from Houston Endowment Inc. In fiscal year 2010, UTMB began receiving TDI grant funding. Through fiscal year 2024, it has received \$7.85 million in grant funds. From 2010 through 2015, UTMB spent all TDI grant funds on premium assistance for low-wage employees of enrolled small employers. Beginning in fiscal years 2016 and 2017, UTMB began using a small percentage for administrative expenses.

### Program costs

The cost of the UTMB program has increased slightly over the years, from \$275 in fiscal year 2014 to \$305 in fiscal years 2024 and 2025. However, the \$50 monthly employer and employee shares hasn't changed since fiscal year 2017.

Employees with income at or less than 300% of the federal poverty level qualify for the third share subsidy to offset the premium. Due to increasing claims costs, UTMB asked to increase the per member monthly subsidy for fiscal years 2024 and 2025 from \$200 to \$225. In awarding the grant, TDI approved a monthly subsidy amount of \$205. UTMB did not increase the \$50 employer or employee shares because their members are sensitive to price.

### UTMB program cost shares by fiscal year

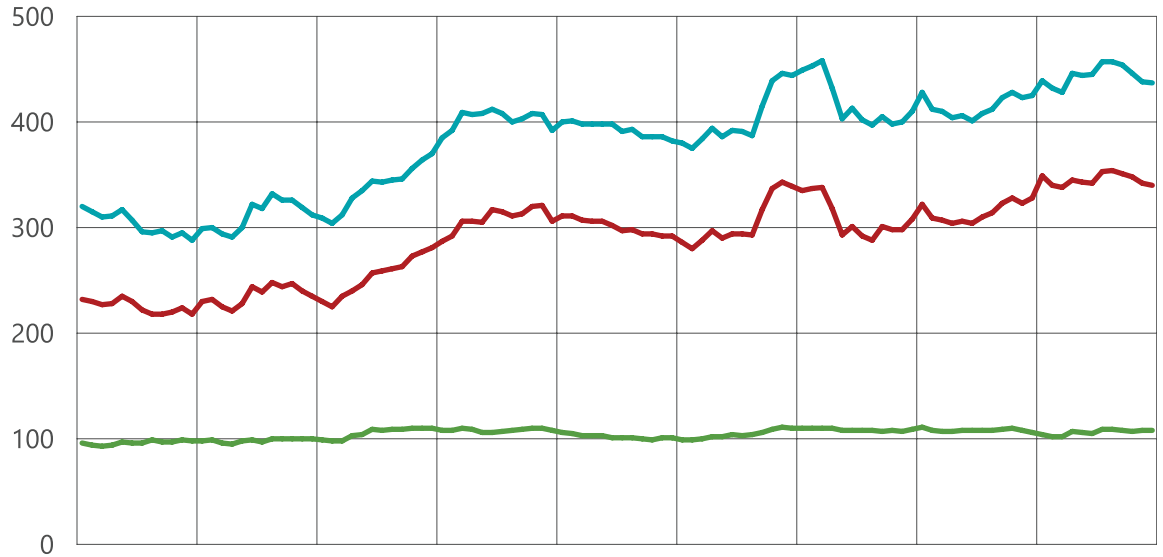


\* Starting in December 2014, the third share subsidy increased from \$50 to \$125 per member per month.

## Program enrollment

While the number of participating businesses has remained steady, the number of covered employees and subsidy recipients has increased. In fiscal year 2024, average monthly program enrollment included 106 covered businesses and 444 covered employees. During fiscal year 2024, the program provided premium subsidies to 345 employees, which is 78% of enrolled employees.

### Average UTMB enrollment by fiscal year



Enrollment type	2016	2017	2018	2019	2020	2021	2022	2023	2024
■ Employees	304	312	338	403	393	403	418	415	444
■ Subsidy recipients	225	236	254	308	301	305	309	315	345
■ Businesses	96	99	106	108	102	104	109	108	106

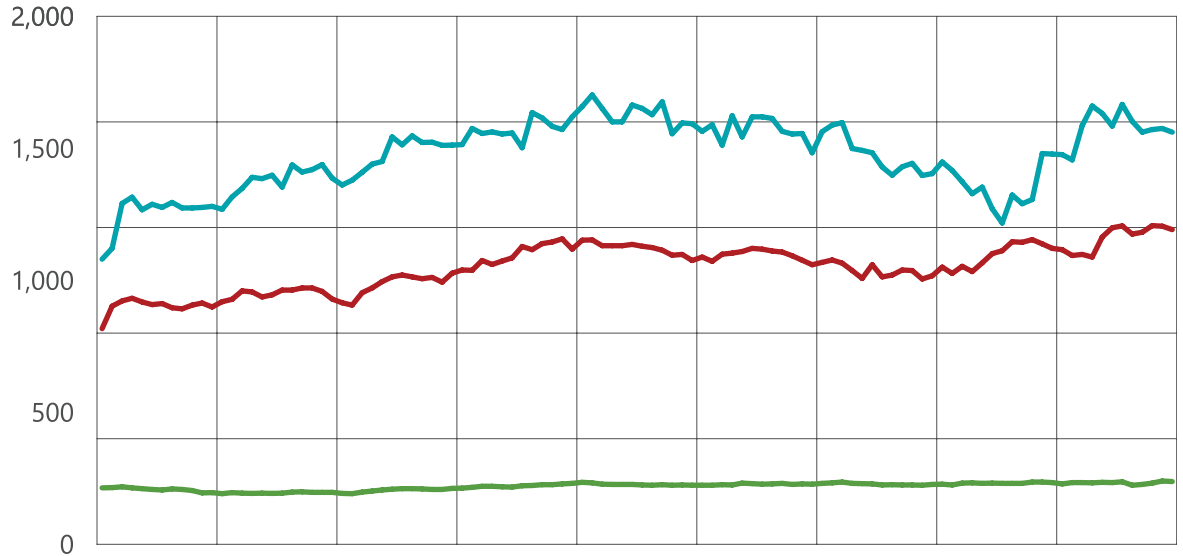
## Looking forward

UTMB expects enrollment levels in fiscal year 2025 to remain steady. UTMB has an enrollment cap of 500 total employees and their grant budget for the current period can support up to 357 subsidy recipients at the current subsidy level.

## Overall three-share data

At the end of fiscal year 2024, about 74% of enrolled employees were eligible for premium assistance. There were 233 businesses and 1,578 employees in the two programs, including 1,161 employees who received subsidies.

## Average combined three-share enrollment by fiscal year



Enrollment type	2016	2017	2018	2019	2020	2021	2022	2023	2024
■ Employees	1,253	1,379	1,476	1,570	1,631	1,570	1,477	1,357	1,578
■ Subsidy recipients	902	950	985	1,098	1,122	1,096	1,037	1,095	1,161
■ Businesses	208	195	205	222	227	228	229	232	233

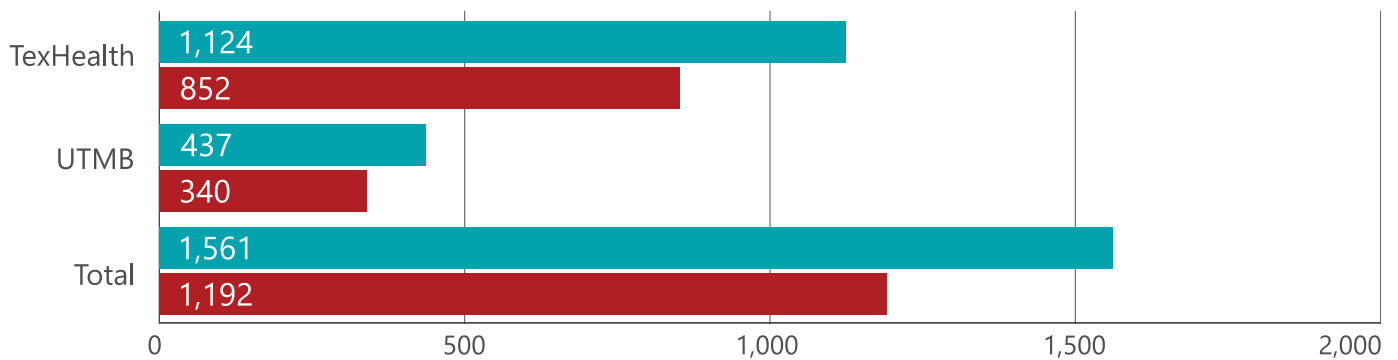
## Future funding projections

In fiscal year 2024, TDI collected the full \$2.25 million and has over \$550,000 from previous grant cycles to award in future grants.

In fiscal year 2025, the biennial revenue estimates of \$52,977,000 for prompt pay penalties and \$11,524,000 for administrative penalties and fines must be exceeded before any funding from either source is available for this program.

If the estimates aren't met in fiscal year 2025 and no additional funds are collected, TDI estimates that the funds currently available would fund the program for 15 months. This estimate assumes an average \$187,500 monthly spending rate. The total amount available for fiscal years 2026 and 2027 may not be known until August 31, 2025, depending on the amount of fines and when they're collected.

### Subsidy-eligible employees, August 2024



Enrollment type	TexHealth	UTMB	Total
■ Employees	1,124	437	1,561
■ Subsidy recipients	852	340	1,192



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