



2014 Annual and Retrospective Report

HISTORY AND PURPOSE: The Texas Health Insurance Pool was created by the Texas Legislature to provide health insurance to eligible Texas residents with pre-existing medical conditions who were unable to obtain coverage from commercial insurers. As required by the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA), the Pool also served as the Texas alternative mechanism for individual health insurance coverage, guaranteeing portability of coverage to qualified individuals who lost coverage under a U.S. employer-based plan. The Pool began issuing coverage January 1998 and provided health benefits to ±100,000 Texans. Pool insurance coverage ended March 31, 2014, and the Pool is scheduled to dissolve effective September 1, 2015, at which time all remaining assets will be transferred to the Texas Department of Insurance.

ADMINISTRATION: The Pool is governed by an eight-member Board of Directors, appointed by the Texas Commissioner of Insurance. The selected Board members represent diverse interests, including insurance consumers, insurance companies, health care providers and insurance agents. The Board's activities are supported by a full-time Executive Director who oversees the day-to-day operations of the program.

CURRENT BOARD OF DIRECTORS

Gary C. Cole, Board Chair
Public Representative (1997)

Richard C. Ott, CLU, LUTCF, Board Vice-Chair
Insurance Agent Representative (1999)

D. Gregory Barbutti, Secretary/Treasurer
Consumer Representative (1997)

Robert H. Emmick, Jr., M.D.
Professional Representative (1997)

Pati McCandless
Insurance Industry Representative (2003)

Maureen Milligan, Ph.D.
Public Representative (2011)

Victoria Paparelli, APRN
Professional Representative (2007)

Marinan Williams
Insurance Industry Representative (2007)

POOL MANAGEMENT

Steven Browning, Executive Director (1998)
Annette Spanhel, Accountant (2002)
P.O. Box 17463
San Antonio, TX 78217
Phone: (512) 963-4990

Customer Service: (888) 398-3927
Email: poolinfo@txhealthpool.org
Web: www.txhealthpool.org

POOL ADVISORS

Betty DeLargy, Mitchell Williams,
Pool Counsel (1997)

Sue Hart, Milliman, Pool Actuary (1997)

Alan Kellogg, HealthLinX, Pharmacy Consultant (2003)

ADMINISTRATIVE PARTNERS

Blue Cross and Blue Shield of Texas, Third Party
Administrator (1997)

Express Scripts, Inc., Pharmacy Benefits
Manager (2007)

PAST BOARD MEMBERS

Charles (Ed) Baxter, Original Chair (1997 — 2009)
John J. Gavin, Original Vice-Chair (1997 — 1999)
Sheila Ames (1999 — 2005)
Kristel Crumpler (1997 — 1999)
Jon Foose (1998 — 2002)

Phyllis Gordon (1997—2007)
Beth Grice (1997—1998)
Susan Hilton (1997—2000)
Bill Rainey, M.D. (2002—2013)

2014 PROGRAM HIGHLIGHTS

- **Policyholder Education/Outreach:** During 2014, the Pool implemented a multi-faceted outreach campaign to educate policyholders about the new health insurance marketplace and ensure that they were fully aware that their Pool coverage would end March 31, 2014. As evidence of the campaign's effectiveness, the Pool did not receive any appeals for continuation of coverage beyond March 31, 2014. Further, the rate of disenrollment during 1Q14 exceeded projections, significantly reducing Pool expenses, which allowed the Pool to refund \$12.4 million to Insurers and HMOs.
- **Low-Income Premium Subsidy Program:** In 2009, the Texas Legislature created a premium assistance program for lower-income Pool policyholders, funded by a share of the penalties paid by Insurers and HMOs to medical providers for late-paid clean claims. Senate Bill No. 1367 (83rd) authorized the Texas Commissioner of Insurance to redirect unused penalty funds after Pool policies were cancelled; accordingly, during 2014 the Pool transferred ±\$78 million to the Texas Department of Insurance. In 2014 the Pool conducted a comprehensive audit of the penalty program and contacted ±60 Insurers and HMOs about missing payments and reports. This audit resulted in eventual collection of more than \$2 million in unpaid penalties.
- **Dissolution Plan:** The insurance commissioner approved the Pool's detailed dissolution plan on February 2, 2014 (Order #2990). All Y2014 dissolution activities were timely completed.
- **Federal Grants:** The Pool secured supplemental federal grant funding that reduced operating costs by ±\$2.4 million.
- **Cost Containment:** The Pool's various cost containment programs (pharmacy clinical programs, hospital audits, and subrogation) reduced claim costs by ±\$5.3 million.
- **Network Discounts:** The medical and pharmacy networks leased from Blue Cross and Blue Shield of Texas and Express Scripts reduced charges billed to Pool policyholders by ±\$65.1 million.

2014 ENROLLMENT & FINANCIAL DATA

NET LOSS The Pool's audited net surplus for 2014 was \$2,468,614.

PREMIUMS EARNED & COLLECTED Earned premiums for the year were \$12,767,455, including amounts paid by premium assistance subsidies.

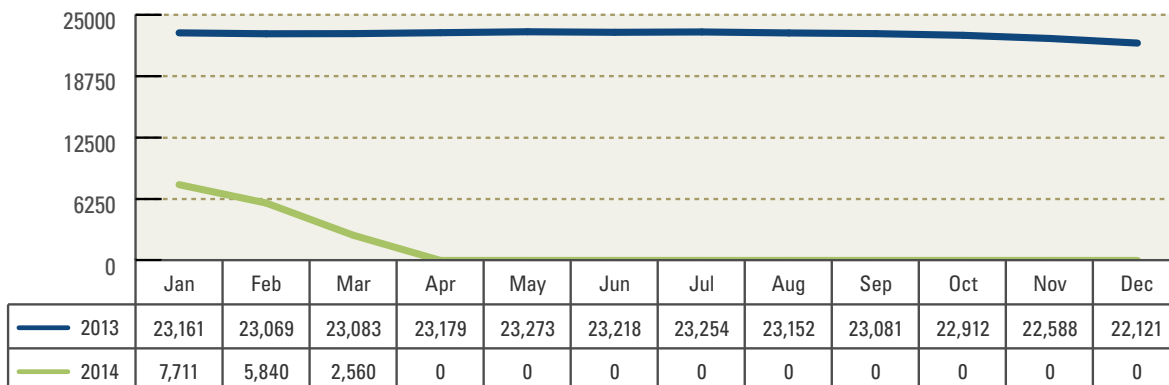
CLAIMS PAID & INCURRED Claims paid by the Pool during 2014 totaled \$42,445,432. Claim reserves decreased by \$32,473,881. A total of ±89,960 medical claims and ±62,630 prescription drug claims were processed.

ASSESSMENTS In 2014, the Pool collected ±43.2 million from Insurers and HMOs doing business in Texas and later refunded \$12.4 million in surplus funds.

ADMINISTRATIVE EXPENSES Third-party administrator fees in 2014 totaled \$2,090,555. All other operating expenses, including consulting, legal, actuarial, and agent fees, totaled \$600,741.

Enrollment by Month, Calendar Years 2013-2014

ENROLLMENT: The Pool covered 7,711 Texans during the first quarter of 2014, as its policyholders were transitioning to the new insurance marketplace. Pursuant to the Commissioner's Order, all remaining Pool policies were cancelled effective March 31, 2014.



TEXAS HEALTH INSURANCE POOL
2014 FINANCIAL RESULTS (STATUTORY)

ASSETS, LIABILITIES, AND SURPLUS	2014	2013
ASSETS		
Cash and Short-Term Investments	\$16,900,097	\$56,646,341
Premiums Due and Unpaid	0	518,311
Third Party Administrator - Collected Premiums	0	64,171
Assessments Receivable	0	43,022,502
Furniture and Equipment, Net of Depreciation	1,252	3,397
Other Assets	37,692	0
Total Assets	\$16,939,041	\$100,254,722
LIABILITIES AND SURPLUS		
LIABILITIES		
Accounts Payable	\$657,607	\$1,067,334
Assessment Refunds	0	6,854,388
Unearned Premiums	0	2,107,661
Premium Discount Funds HB 2064	11,169,322	42,723,145
Reserve for Losses	256,119	32,730,000
Advance-Interim Assessment	2,387,379	156,575,097
Total Liabilities	\$14,470,427	\$242,057,625
SURPLUS		
Accumulated Regular Assessments Paid In	\$1,150,383,683	\$1,008,586,034
Cumulative Surplus (Deficit)	(1,147,915,069)	(1,150,383,684)
Net Surplus (Deficit)	\$2,468,614	\$(141,802,903)
Total Liabilities and Surplus	\$16,939,041	\$100,254,722
REVENUES AND EXPENSES		
	2014	2013
REVENUES		
Premiums - Paid by Policyholders	\$8,396,032	\$171,665,667
Premiums - HB 2064 Low Income Subsidies	1,130,258	12,139,185
Federal Grant - Premium Trend Subsidies	3,241,165	8,273,571
Federal Grant - Operating Losses	2,361,356	1,755,045
Net Investment Income	2,750	14,760
Total Revenues	\$15,131,561	\$193,848,228
EXPENSES		
Medical/Pharmacy Claims	\$9,971,650	\$322,296,044
TPA Administrative Fees	2,090,555	12,159,119
Professional Fees	143,122	424,447
Payroll and Employee Benefits	370,626	426,573
Agent Referral Fees	1,500	166,050
Office Rent and Insurance	39,228	77,148
Postage/Printing/Supplies	17,298	50,095
Bank Fees/Charges	13,585	13,286
Travel Expenses	1,006	2,785
All Other Expenses	14,377	30,332
Total Expenses	\$12,662,947	\$335,645,879
Revenue Over (Under) Expenses	\$2,468,614	\$(141,797,651)

THE TEXAS HEALTH INSURANCE POOL — A RETROSPECTIVE SUMMARY: 1997 - 2014

During the 1997 legislative session, Rep. Kip Averitt authored and Sen. David Sibley sponsored House Bill 710, which created the Pool and appropriated \$500,000 in start-up funding. The Pool Board had just 3½ months in which to begin Pool operations and accept applications for coverage, effective January 1, 1998, in compliance with HIPAA.

The Pool Board of Directors formally convened 85 times from 1997 through 2014. As one indication of the Board's exceptional dedication to the Pool, the average tenure of the current board members is nearly 13 years, and three members are original 1997 board appointees.

The Pool played an instrumental role in passage of the State High Risk Pool Funding Extension Act (HR 4519), signed by Pres. George W. Bush in February 2006, which provided \$54.5 million in federal funding to the Pool, from 2006 to 2014. These grants were used by the Pool to reduce policyholder premiums and operating losses.

In 2009, representatives from the health insurance industry and the hospital and physician trade associations collaborated with the Pool, Department of Insurance, and legislative staff to pass HB 2064, which created a premium assistance program for lower-income Pool policyholders, funded by a share of the penalties owed by Insurers and HMOs to medical providers for late-paid clean claims. This program reduced Pool policyholder premiums by ±\$36 million and, through March 2015, has generated an additional ±\$108 million in funds that will be used to improve Texans' access to health coverage.

Since program inception, the Pool has paid ±\$3.2 billion in health care benefits on behalf of its ±100,000 policyholders. Without the Pool, most of these Texans would have had no other meaningful insurance coverage options and much of this care from the medical community would have been uncompensated.

In addition, the cost-effective medical and pharmacy networks utilized by the Pool reduced charges to policyholders by another \$4 billion, representing billed amounts that exceeded negotiated reimbursement rates. Further, the Pool employed a wide variety of industry-proven cost containment and chronic disease management techniques, which produced ±\$200 million in program savings and improved the health of many policyholders.

The Texas health insurance industry contributed ±\$1.15 billion in funding, through assessments, to supplement the Pool's program expenses that policyholder premiums did not cover.

CUMULATIVE REVENUES	
Policyholder Premiums	\$2,182,908,397
Insurance Company Assessments	1,147,915,068
Federal Grants	54,500,380
Premium Assistance Program	35,920,164
Investments	17,101,567
State Funds	499,088
	\$3,438,844,664
CUMULATIVE EXPENSES	
Medical & Pharmacy Claims	\$3,253,101,195
Administrative Expenses	185,743,469
	\$3,438,844,664