



Health Insurance Pool

2010 Annual Report

HISTORY AND PURPOSE The Texas Health Insurance Pool was created by the Texas Legislature to provide health insurance to eligible Texas residents who--due to medical conditions--are unable to obtain coverage from commercial insurers. So that the State of Texas is compliant with the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA), the Pool also serves as the Texas alternative mechanism for individual health insurance coverage, guaranteeing portability of coverage to qualified individuals who lose coverage under a U.S. employer-based plan.

The program continues to serve the State of Texas as an important "safety net" for individuals who have been denied health insurance coverage because of preexisting conditions and do not have other coverage options.

ADMINISTRATION The Pool is governed by a nine-member Board of Directors, appointed by the Texas Commissioner of Insurance. In compliance with statute, 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.

BOARD OF DIRECTORS

D. Gregory Barbutti, Secretary/Treasurer
Austin, TX – Insured Representative

William C. Rainey, MD
Abilene, TX – Insured Representative

Gary C. Cole, Board Chair
Bullard, TX – Public Representative

Marinan Williams
Temple, TX – Industry Representative

Robert H. Emmick, Jr., MD
El Paso, TX – Professional Representative

Pati McCandless
Austin, TX – Industry Representative

Richard C. Ott, CLU, LUTCF, Board Vice-Chair
Corpus Christi, TX – Industry Representative

Victoria Paparelli, APRN
San Antonio, TX – Professional Representative

POOL MANAGEMENT

Texas Health Insurance Pool
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Austin, TX 78744
Phone: (512) 441-7665
Steven Browning, Executive Director

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

2010 PROGRAM HIGHLIGHTS

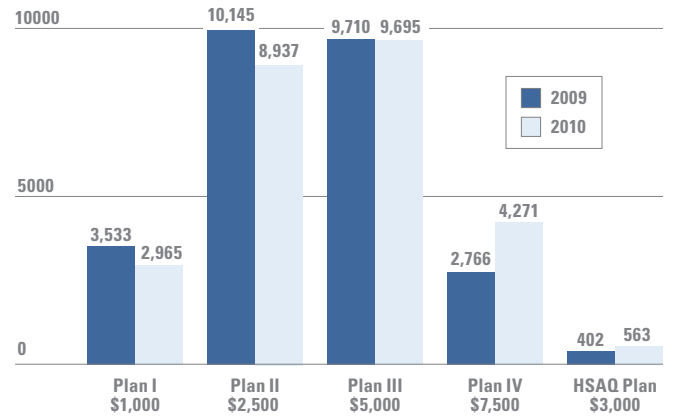
- **New Low-Income Premium Subsidy Program:** HB 2064 (81st) created a premium assistance program for lower-income Pool enrollees, funded by a share of the penalties paid by insurers and HMOs to medical providers for clean claims paid late. In 2010 the Pool collected ±\$5.2 million from ±65 insurance carriers in preparation for the premium subsidies that began January 1, 2011. During 2010 the Pool received and processed ±3,000 premium subsidy applications submitted by enrollees.
- **Health Reform Act:** Throughout 2010 the Pool provided assistance to Texas consumers and agents who had questions about the new federal health reform legislation, including the new federal risk pool.
- **Administrative Services Agreements:** The Pool conducted a competitive bid for third-party administrator services, and the Board awarded a 3-year renewal contract to Blue Cross and Blue Shield of Texas, with extension options. The Pool also released a request for proposals for pharmacy benefit management services, for the contract period beginning January 1, 2012.

ELIGIBILITY Texas residents under age 65 qualify for the Pool if they can document at least one of the following specific eligibility criteria established by statute:

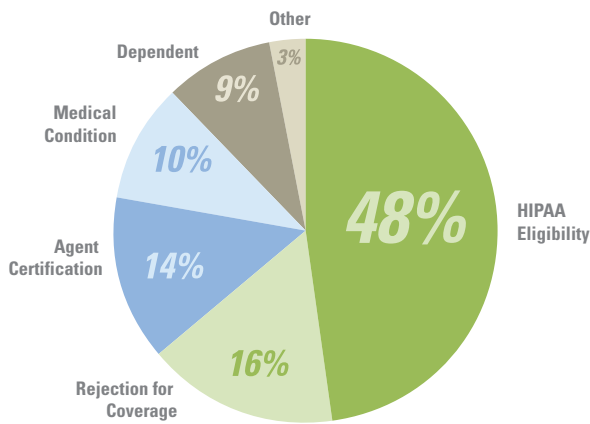
- At least eighteen months of previous health insurance coverage, with no gap in coverage greater than 63 days, and the most recent coverage was through a U.S. employer health plan provided by a private employer, church or governmental entity. This is known as federal HIPAA eligibility.
- Rejection or refusal by an insurer to issue substantially similar individual health insurance, due to health reasons.
- Offer by an insurer to issue substantially similar individual health insurance, but only with a rider excluding coverage for a medical condition.
- Diagnosis of one of the medical conditions established by the Pool Board for automatic eligibility.
- Certification from an insurance agent that the applicant would be declined for substantially similar individual coverage by an insurer, due to a medical condition.

HEALTH PLAN DISTRIBUTION The Pool offers five deductible plan options. Members continue to select higher deductible plans with more affordable premiums.

Year-End Enrollment by Deductible Plan



Year-End 2010 Enrollment Eligibility Categories



NET LOSS The Pool’s final audited net loss for 2010 was \$97,616,941.

PREMIUMS EARNED & COLLECTED In 2010 the Pool collected \$215,152,762 in premiums, while earned premiums for the year were \$214,792,625.

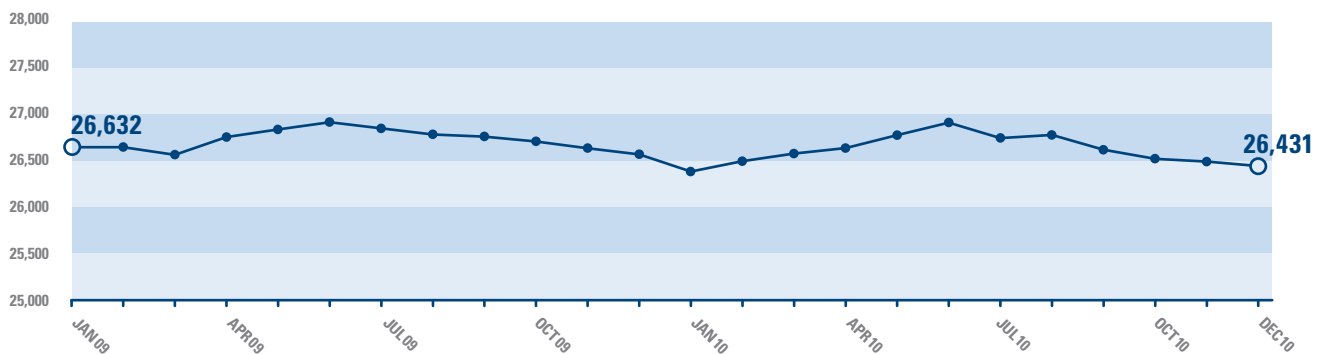
CLAIMS PAID & INCURRED Claims paid by the Pool during 2010 totaled \$303,795,211 and claims reserves increased by \$5,380,000. A total of 667,633 medical claims and 884,314 prescription drug claims were processed.

ASSESSMENTS In 2010 the Pool assessed \$98.3 million to ±185 health insurers and HMOs.

ADMINISTRATIVE EXPENSES Third-party administrator fees in 2010 totaled \$11,781,191. All other operating expenses, including consulting, legal, actuarial, and agent fees, totaled \$1,147,470.

ENROLLMENT In 2010, the Pool experienced a slight decrease in enrollment, ending the year with a total of 26,431 members. The Pool covered 32,624 individuals over the course of the year. Members enrolled in the Pool at year end had been covered for an average of 48 months. Pool members reside in every metropolitan area of the state and in all but five Texas counties (see p. 4 for county map). At year-end, 53% of the Pool’s members were women. The average member age was 51 years and 68% of the Pool’s members were in the 50-64 age group.

Enrollment by Month, Calendar Years 2009-2010



TEXAS HEALTH INSURANCE POOL
2010 FINANCIAL RESULTS (STATUTORY)

ASSETS, LIABILITIES, CAPITAL AND SURPLUS	2010	2009
ASSETS		
Cash and Short-Term Investments	\$ 36,068,364	\$42,923,119
Premiums Due and Unpaid	241,986	223,075
Third Party Administrator- Collected Premiums	806,017	0
Assessments Receivable	57,329,525	38,729,513
Furniture and Equipment, Net of Depreciation	14,519	11,009
Other Assets	6,046	2,774
Total Assets	\$94,466,457	\$81,889,490
LIABILITIES, CAPITAL AND SURPLUS		
LIABILITIES		
Accounts Payable	\$1,025,185	\$1,811,454
Assessment Refunds	2,690,224	1,802,690
Unearned Premiums	11,001,659	9,816,594
Premium Discount Funds Collected	5,227,570	0
Reserve for Losses	44,070,000	38,690,000
Advance-Interim Assessment	128,073,983	116,895,306
Total Liabilities	\$192,088,621	\$169,016,044
SURPLUS		
Accumulated Regular Assessments Paid In	\$697,374,067	\$610,252,736
Cumulative Surplus (Deficit)	(794,991,008)	(697,379,290)
Net Surplus (Deficit)	\$(97,622,164)	\$(87,126,554)
Total Liabilities, Capital and Surplus	\$94,466,457	\$81,889,490

REVENUES AND EXPENSES	2010	2009
REVENUES		
Premiums	\$ 214,792,625	\$ 199,169,934
Net Investment Income	19,947	81,867
Federal Grant	9,674,359	6,247,177
Total Revenues	\$ 224,486,931	\$ 205,498,978
EXPENSES		
Claims Paid and Incurred	\$ 309,175,211	\$ 279,797,729
TPA Administrative Fees	11,781,191	11,725,493
Professional Fees	478,724	536,073
Payroll and Employee Benefits	357,791	299,555
Agent Referral Fees	155,050	130,150
Office Rent and Insurance	75,077	66,072
Postage/Printing/Supplies	35,417	35,028
Bank Fees/Charges	16,232	7,941
Travel Expenses	3,489	3,106
All Other Expenses	25,690	19,162
Total Expenses	\$ 322,103,872	\$ 292,620,309
Net Loss	\$(97,616,941)	\$(87,121,331)

POOL MEMBERS BY COUNTY

December 2010
Total Members: 26,431

