

# **A Study of Texas Health Insurance Risk Pool Commission Payment Issues**

**Submitted to the 80<sup>th</sup> Texas Legislature  
by  
the Texas Department of Insurance  
December 2006**

Under the current operating guidelines of the Texas Health Insurance Risk Pool (THIRP, or Pool), licensed insurance agents receive a \$50 referral fee for successfully enrolling a client in the Pool. In 2005, the 79<sup>th</sup> Texas Legislature enacted House Bill 2941 requiring the Texas Department of Insurance (TDI) to conduct a study to determine whether the agent referral fee paid for THIRP referrals is sufficient to ensure that eligible consumers are made aware of the availability and benefits of purchasing insurance offered by THIRP. This report summarizes the Department's review of agent referral fees as required under HB 2941.

## **Background Information**

Health insurance for most privately insured Texans is provided as a benefit offered by employers. In 2005, an estimated 11.9 million Texas workers and their dependents were covered by employment-based health care coverage. Individuals who are not employed, who are self-employed, or who work for an employer that doesn't offer group coverage must obtain insurance through some other means. In some cases, individuals may be able to enroll under a plan offered by a spouse's employer, but if an employer group plan is not available, they may turn to the individual insurance market or a member-only association plan for coverage. Approximately 1.6 million Texans were covered under an individual insurance plan in 2005.

Unfortunately, not all people who apply for individual coverage are accepted by insurers. Unlike most group health insurance applicants, insurers collect detailed health information from individual applicants and use that information to determine coverage for a person based on the company's underwriting requirements. A person who has a history of a serious or chronic health problem will most likely find that individual health insurers will decline to cover them, deeming them "uninsurable" in the commercial market.

Health insurance risk pools were established to offer an alternative for these individuals and are an important component of the private insurance market. Today, more than 30 states have health insurance risk pools for individuals who

otherwise would likely be uninsured. The Texas Health Insurance Risk Pool was initially created, but not funded, by the Texas Legislature in 1989. In 1997, the Legislature authorized funding for the Pool and designated the Pool to serve as the state's alternative mechanism for providing guaranteed access to health insurance in the individual market as required under the federal Health Insurance Portability and Accountability Act (HIPAA). Since 1997, the Pool has served as the "insurer of last resort" for thousands of Texans who need health insurance but have pre-existing health conditions that make them uninsurable in the commercial market. With more than 28,000 Texans insured in 2005, the THIRP is one of the largest pools in the country.

### **Texas Health Insurance Risk Pool Overview**

The THIRP is governed by a nine-member Board of Directors who are appointed by the Commissioner of Insurance. The Board appoints an Executive Director who oversees the day to day operations of the Pool. The Board also selects a plan administrator which provides administrative services including enrollment, customer service, premium billing and medical claims processing. The current medical plan administrator is Blue Cross Blue Shield. WellPoint Pharmacy Management administers the Pool's pharmacy benefit.

One of the Board's duties is to determine the value of the agent referral fees given to licensed insurance agents upon successful enrollment of an agent's client in the THIRP. Referrals which do not result in enrollment are not eligible for agent compensation. The Board of Directors initially provided a \$25 agent referral fee, and the Board voted to increase the fee to \$50 in 2003. The question of an additional fee increase has not been officially considered by the Board since 2003.

### **Benefits and Eligibility Requirements**

Benefits under THIRP are comparable to those provided under a typical individual plan commonly sold by commercial insurance carriers in Texas. Enrollees choose from varying deductibles which range from \$1,000 to \$5,000. Medical benefits are comprehensive and include inpatient and outpatient physician services, hospital care, surgical benefits, X-ray and laboratory services, home health care, hospice care, serious mental illness benefits, prescription drug coverage, and other services. Enrollees using in-network benefits are responsible for 20 percent coinsurance costs, up to an annual maximum of \$3,000. All enrollees are limited to a lifetime maximum benefit of \$1.5 million.

The THIRP is available to state residents who meet one of the following eligibility requirements:

1. The individual must be under age 65 and a legal resident of Texas for at least 30 days and be either a U.S. citizen or a permanent resident of the U.S. for at least three continuous years, and can provide:
  - a) notice of rejection or refusal by one insurer to issue health coverage on the individual due to health reasons; or
  - b) a certification from an insurance agent certifying that the agent is unable to obtain coverage substantially similar to Pool coverage due to the individual's health condition; or
  - c) an offer by an insurer to issue coverage or a copy of an in-force insurance policy that excludes a medical condition or conditions; or
  - d) documentation that the individual has been diagnosed with a qualifying medical/health condition (such as cancer, cardiovascular disease, Hodgkin's disease, Cerebral Palsy, etc.).
  
2. An individual is also eligible for Pool coverage if he/she is a legal resident of Texas who:
  - a) is under age 65 and has maintained health coverage for the preceding 18 months, with no break in coverage greater than 63 days, provided that the most recent coverage was through an employer-sponsored plan, church plan or government plan; or
  - b) had health coverage under another state's qualified HIPAA health program but lost coverage because the individual moved to Texas; the individual must apply for coverage within 63 days of losing previous coverage; or
  - c) the individual is certified as eligible under the Health Coverage Tax Credit Program.

### **Enrollment Process**

While applicants may choose to request an insurance agent's assistance with completing and submitting an application to the Pool, they are not required to do so. To simplify the enrollment process and enable individuals to apply directly to the Pool for coverage, all enrollment information and application forms are available on-line and can be easily downloaded by interested consumers. The Pool also provides a toll-free number for clients who need assistance completing their application forms.

The application required by the Pool is similar to (but generally shorter than) forms used by commercial insurers (see appendix A for THIRP application form). The form requests standard information including:

- name, residency and contact information;
- a listing of any dependents that are applying for coverage;

- eligibility checklist information;
- employment information and verification that employment-based insurance is not available through the applicant's place of employment;
- information on previous insurance coverage; and
- a brief history of the applicant's health conditions and medical treatment.

If the applicant is employed, or the applicant's spouse is employed, or the applicant's parents are employed if the applicant is under age 25, a separate form is required to verify that group health benefit coverage is not available to the Pool applicant.

If an individual applies for Pool coverage based on the fact that an agent confirms that private coverage is not available, the applicant must also submit a verification form signed by the agent attesting to the fact that private coverage is not available.

In addition to the actual enrollment materials, the application package includes detailed information describing the plan benefits, co-payment requirements and provisions, benefit exclusions, and other program details.

### **Agent Assisted Enrollments vs. Self Enrollments**

Although on-line insurance enrollment is more common today than ever before, the majority of individual insurance purchasers still use the services of an agent to determine which benefit plan is best for them. Insurance shopping can be complicated and confusing and is an intimidating process for many people. However, individuals who are comfortable doing their own comparison shopping often prefer to shop for coverage on the internet rather than spend time meeting with an agent and discussing their various options.

Individuals who apply for THIRP coverage generally have insurance needs that separate them from a "typical" insurance client. Some applicants may need more of an agent's time than a typical client, while others may actually need less assistance due to their increased level of understanding and prior experience with the health insurance system. Most individuals who apply for coverage through THIRP have already discussed their insurance options with an agent, even if they did not actually apply for private coverage. By the time a person decides to apply for Risk Pool coverage, many applicants are already well acquainted with basic insurance concepts, processes and conditions of coverage that are typical in the individual insurance market. As such, the level of assistance they need in order to understand the details of the Risk Pool benefit plan and apply for coverage may be lower than that required of a "novice" insurance applicant who has little knowledge of the insurance process. However,

those individuals who do *not* have a good understanding of the individual market or the limitations in coverage that exist within the Risk Pool may require *more* assistance than an agent’s “typical” client due to the pre-existing health problems that generally indicates the person anticipates more frequent use of their insurance plan than most healthy applicants.

As described above, health insurance agents are not required to assist individuals who want to apply for health insurance coverage through the THIRP. Though many will provide assistance, anecdotal information indicates that some agents simply refer clients to the Pool website for assistance rather than provide personal assistance. An agent’s level of involvement in the enrollment process and the decision to assist (and receive the \$50 referral fee) is entirely within the agent’s discretion. The decision likely depends on a number of factors such as the amount of time that might be required with any particular client, the extent to which an agent has time to assist with the process, and whether the agent feels the \$50 referral fee is adequate compensation. In some cases, the decision to eliminate the agent’s role in the application process is made by the enrollee rather than the agent. If an enrollee is comfortable completing the process on their own, the enrollee may choose to avoid the services of an agent.

Based on data provided by the THIRP for 2002 through 2005, between 40 and 50 percent of new Pool enrollees are assisted by an agent. The highest level of assistance occurred in 2004, the first full year in which agent referral fees were increased from \$25 to \$50. However, the effect of the increase appears to be short-term, as the percentage of agent referrals dropped to 44 percent in 2005. Figure 1 below summarizes agent utilization in THIRP enrollment from 2002 through 2005.

<b>Year</b>	<b>Percentage of THIRP Applicants Using an Agent</b>
2002	43%
2003	44%
2004	48%
2005	44%

In calendar year 2004, referral fees paid by the Pool totaled \$178,500 for 3,570 agent referrals. In 2005, the Pool paid a total of \$164,800 for a total of 3,296 agent referrals.

### **Agent Commission Survey Results**

Given the wide diversity of client expectations and agent experiences with enrolling clients in the Risk Pool, it is difficult to develop a “standard” by which to

determine whether the current \$50 agent referral fee is adequate given the amount of time an agent spends assisting a “typical” client. If Pool enrollees usually require more time than a private market applicant, then an agent may be discouraged from providing assistance based on the \$50 referral fee. However, if a pool client is often easier to enroll, then the \$50 fee may be adequate.

To determine how agents perceive the value of the \$50 referral fee and to evaluate the time and effort required of Risk Pool applicants relative to commercial market applicants, TDI conducted a survey of agents in September 2006. A random sample of agents was selected using three different categories of agents. The THIRP administrator Blue Cross and Blue Shield provided two separate lists of agents for the survey: 1) agents who frequently refer clients to the Risk Pool, and 2) agents who rarely refer clients to the Risk Pool, but have submitted at least one client at some time. The third group of agents was selected from TDI’s database of all licensed Life, Accident and Health agents in Texas; this allowed TDI to solicit input from agents who have never received payment for referring a client to the Risk Pool.

*Experience with Risk Pool Referrals*

Respondents were asked several questions to determine their experience with THIRP referrals. A total of 65 percent of the agents reported they have referred one or more clients to the Pool, while 35 percent have never referred a client to the Pool. Of those who have made referrals, the average number of clients referred per agent is 33, but individual agent responses ranged from a low of one to a high of 150. Agents estimate that a little more than half – 54 percent – of the referrals actually enrolled in the Pool. The remaining clients either did not qualify or chose not to enroll.

Agents who have referred clients were asked to describe the amount of time they typically spend with a client to successfully enroll them in the Pool. As indicated in Figure 2, nearly half (45 percent) reported that they generally spend one to two hours assisting Pool clients. Nearly one-quarter (23 percent) report it takes less than one hour, while ten percent indicated they spend more than three hours enrolling a typical client.

<b>Figure 2</b>	
<b>Estimated Time Required to Enroll a Risk Pool Client</b>	<b>Percentage of Responses</b>
Less than one hour	23%
One to two hours	45%
Two to three hours	14%
More than three hours	10%
Unknown – never assisted a client	8%

Agents were also asked to compare the time required to enroll a THIRP client with the time they typically spend enrolling a client in a commercial individual policy. The responses were almost evenly divided between agents who reported Pool clients take the same or less amount of time as non-Pool clients and those who reported Pool clients require more time. Of the agents who have experience with the Pool, about 42 percent report that Pool clients take about the same amount of time or less time than non-Pool clients, with 14 percent reporting Pool clients require less time (see Figure 3). Another 41 percent indicated that Pool clients require more time.

<b>Figure 3</b>	
<b>Amount of time required to enroll a Risk Pool client, compared to other non-pool clients</b>	<b>Percentage of Responses</b>
Much less time	9%
Somewhat less time	6%
About the same amount of time	28%
More time	41%
Unknown – never assisted a client	10%
No response	6%

Typical Commission and Incentives

Respondents were asked to describe the typical commissions paid for the individual health insurance policies they most frequently sell and to describe incentives commercial carriers most commonly use to encourage agents to promote their products. Typical commissions reported by agents varied significantly from a low of three percent to a high of 45 percent. The average response was 16 percent. The most frequent response was 20 percent of premium, with 25 percent of the responding agents reporting that 20 percent is the typical commission payment they receive in the individual market for first-year sales. A summary of the commission variations provided by agents who responded to the question appears in Figure 4.

<b>Figure 4</b>	
<b>Typical Commission Payment for Individual Policies Sold by Commercial Carriers</b>	<b>Percentage of Responses</b>
3 to 5 percent of premium	3%
6 to 10 percent of premium	31%
11 to 15 percent of premium	20%
16 to 20 percent of premium	31%
21 to 25 percent of premium	10%
26 to 30 percent of premium	0%
31 percent of premium or higher	5%

The survey also asked agents to describe the types of incentives used by commercial carriers to encourage agents to market their products. The most commonly reported incentive is bonuses (24 percent), followed closely by travel rewards (20 percent). Other types of incentives listed were commissions (18 percent), improved rates or coverage benefits for clients (10 percent), client referrals and/or marketing assistance (9 percent), access to simplified/online application (6 percent), merchandise awards (5 percent), and enhanced customer service (5 percent).

Reasonable Pool Commission Payment

Surveyed agents were asked to indicate what they think is a reasonable commission/referral fee, based on the amount of time it takes an agent to assist a client with the enrollment process. As Figure 5 shows, the responses varied widely. At one end of the spectrum, several agents indicated that they view their assistance as a service to people who cannot obtain any other coverage and would provide this service for free. At the opposite end were several agents who suggested commission payments totaling 30 to 45 percent of the first year premium. Most responses fell somewhere in between. The most popular responses were a fee of \$100, or a commission of 10 percent of premium.

Figure 5			
Suggested Rate as a Flat Dollar Amount	Percentage of Responses	Suggested Rate as a Percentage of Premium	Percentage of Responses
\$0	2%	5%	4%
\$50	12%	10%	24%
\$75	2%	12%	4%
\$100	18%	15%	5%
\$125	4%	20%	6%
\$150	4%	More than 20%	8%
\$175	6%		
\$200	2%		

Several agents suggested adding renewal commissions/fees for clients who continue coverage beyond the first year. One agent suggested a first year enrollment fee of \$200 with a \$50 fee for renewals; another suggested a \$100 enrollment fee and \$25 renewal fee. A third agent suggested paying a 10% commission for all enrollments and renewals. Several agents provided additional comments regarding commission payments, including the following:

- “I personally do not want any compensation; for other agents, the \$50 fee is fine.”

- “Although \$100 would offset the cost, I would provide this as a service to my clients even if there was no payment.”
- “\$50 is fine – we don’t want to push premiums any higher, and more commission will do that.”
- “20% ongoing commission, because they [pool enrollees] call the agent with questions and problems long after the time of application.”
- “I think the \$50 fee is fine, as these clients already have to spend a lot to get the insurance and don’t need more costs.”
- “\$150 to \$200 would allow me to break even.”
- “There is not a reasonable fee the pool could afford. Agents do it because it’s the right thing to do for the client.”
- “You can’t pay too much for the time spent getting all the paper forms completed.”
- “The same as any other carrier – pay commissions rather than one-time fee.”
- “Unknown – I don’t assist clients with the enrollment into THIRP.”

#### *Effect of Pool Referral Fee on Decision to Assist Clients*

Agents were also asked to indicate whether the current fee of \$50 discourages them from making referrals to the Pool, whether they have ever declined to assist a client due to the fee, or if they are aware of other agents who refuse to provide assistance due to the fee. Of those who responded, 68 percent said the \$50 fee does not discourage them from referring clients. The remaining 32 percent reported the fee does discourage them. In a separate question, 86 percent reported they have never refused to assist a client based on the size of the fee; the remaining 14 percent have refused assistance. Sixty percent of the agents reported they are not aware of other agents refusing to assist clients due to the fee; 40 percent, however, reported they do know of agents refusing assistance due to the fee.

#### *Suggestions to Encourage Agents to Provide Assistance to Pool Applicants*

Finally, agents were asked to provide comments or suggestions on the subject of commission/referral payments, including suggestions for incentives that would encourage more agents to provide assistance to potential Pool enrollees. The suggestions varied widely, but they focused most commonly on financial incentives such as higher fees or commissions and other awards such as trips or bonuses. As Figure 6 indicates, nearly half (48 percent) suggested increased referral fees or commissions and bonuses, while another 11 percent suggested paying renewal commissions for clients that continue coverage beyond the first year.

However, not all agents suggested financial incentives. One agent pointed out that some agents are more concerned about legal exposure (i.e., Errors and Omissions claims) on a product for which they are not fully compensated. Another suggested the State consider reducing agent's licensing fees for those that meet some minimum criteria for referring clients to the THIRP. Others suggested simplifying the Pool enrollment process to make it easier for both enrollees and agents. Several carriers indicated that incentives should not be necessary as they believe it is an agent's responsibility to assist clients whose only option is to enroll in the Pool.

<b>Figure 6</b>	
<b>Incentive Idea Suggested by Agent</b>	<b>Percentage of Responses</b>
Provide a more competitive commission/referral fee and/or bonuses	48%
Simplify the application process, reduce the paperwork requirements	14%
Provide commissions for renewals	11%
Enhance the customer services provided by the Pool – both for agents and clients	7%
Provide more education and training for agents re. the Pool enrollment process	7%
Reduce the liability exposure for agents who refer clients to the Pool	3%

Following are some of the specific suggestions provided by agents:

- “Provide online application submission – not just downloading application forms.”
- “Reduce and revamp the application form because it is too long.”
- “Provide referral fees as high as is reasonably possible.”
- “Provide more agent education, especially on the commissions paid by other states for their risk pools.”
- “No suggestions – it should be the moral incentive itself to get people adequately covered.”
- “None – the responsible agents will take care of the client and the rest will make a career change.”
- “Simplify the application – get rid of the health qualifier – eliminate some of the paperwork.”
- “Make agents aware of the referral fee.”
- “Lessen the agent's liability if the insured has an issue with the risk pool coverage.”
- “It is most important to keep the Risk Pool as cost efficient as possible for the clients – no incentives necessary.”

- “I believe if a suitable commission were paid, more would recommend the Pool.”
- “Consider commission schedule with renewals.”
- “Offer contests.”
- “Better communication on changes and updates.”
- “[Help agents] understand this could lead to later business [for the agent].”

### **Other State Risk Pool Commission Fees**

TDI also reviewed commission and referral fee policies of other state high risk pools. As indicated in Figure 7, most states pay a flat fee that varies from a low of \$25 to a high of \$200. Two states provide no payment for referrals. Two others pay a commission equal to three percent of the first year’s premium, but one state pays the fee only for individuals who are enrolling based on their HIPAA-eligibility status.

The most popular fee payment is a flat rate of \$50, which is paid by nine state risk pools, including Texas. Four states pay a fee of \$25, and four others pay \$100. Four other states have unique payment amounts of \$15, \$30, \$35 and \$75. The three remaining states pay a \$200 referral fee.

<b>Figure 7</b>	
<b>State</b>	<b>Risk Pool Agent Fee</b>
Alabama	None
Alaska	\$100
Arizona	No risk pool established
Arkansas	Each agent will receive a referral fee of \$25 for each CHIP application processes if the applicant is accepted by CHIP and the first month's premium is paid.
California	\$50 one-time processing fee
Colorado	\$25
Connecticut	Referral fee of \$50
Delaware	No risk pool established
Florida	NA, closed to new enrollments
Georgia	No risk pool established
Hawaii	No risk pool established
Idaho	No risk pool established
Illinois	\$50
Indiana	Eliminated July 1, 2003
Iowa	\$200
Kansas	\$100
Kentucky	One-time \$50 referral fee
Louisiana	HIPAA only - 3 percent on initial premium only

<b>Figure 7 (Continued)</b>	
<b>State</b>	<b>Risk Pool Agent Fee</b>
Maine	No risk pool established
Maryland	\$100
Michigan	No risk pool established
Massachusetts	No risk pool established
Minnesota	Referral fee of \$50
Mississippi	One-time \$50 finders fee
Missouri	\$50 flat fee for licensed BCBS agents
Montana	Board has discretion effective October 1, 1995 to set agent referral fee, subject to approval by insurance commissioner; set at \$100
Nebraska	\$25
Nevada	No risk pool established
New Hampshire	\$200 - one time
New Jersey	No risk pool established
New Mexico	\$100 one-time payment after first month's premium is received
New York	No risk pool established
North Carolina	No risk pool established
North Dakota	\$25
Ohio	No risk pool established
Oklahoma	\$15
Oregon	Flat one-time payment of \$75
Pennsylvania	No risk pool established
Rhode Island	No risk pool established
South Carolina	NA
South Dakota	Three percent of premium
Tennessee	No risk pool established
Texas	\$50 referral fee for each issued policy
Utah	None
Vermont	No risk pool established
Virginia	No risk pool established
Washington	\$50
West Virginia	None
Wisconsin	\$35
Wyoming	\$30

## **Conclusion**

The current Risk Pool referral fee of \$50 appears to be adequate for many agents but does discourage some agents from assisting clients who are potential Pool enrollees. Agents who believe the fee should be increased most commonly recommend either a flat fee of \$100 or a commission payment equal to 10 percent of the first year's premium. However, it is notable that many agents believe they have a professional obligation to assist people with the enrollment process regardless of the fee paid. Several expressed concern that higher fees

would only lead to higher premium costs for Pool enrollees, who already pay some of the highest insurance rates in the state. While raising the fee amount might encourage some agents to assist more clients, those agents who most frequently refer clients would likely continue to do so regardless of the referral fee amount.

APPENDIX A

	<p><b>Policy Administered by:</b>  <b>Blue Cross and Blue Shield of Texas<sup>†</sup></b>                  P. O. Box 6089                  Abilene, TX 79608-6089                  Toll Free Number: 1-888-398-3927 (Administrator)</p>
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**SECTION A: APPLICANT INFORMATION** (please print)

**An incomplete application will be delayed and the effective date of your coverage may change if all required information is not received.**

Last Name of Applicant		First Name of Applicant		Initial	Social Security Number	
Age	Date of Birth (mm/dd/yy)	Sex (check one) <input type="checkbox"/> Male <input type="checkbox"/> Female		Marital Status (check one) <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Divorced; Date _____ <input type="checkbox"/> Widowed; Date _____		Do you use tobacco?*
Home Street Address		Apt. No.	Mailing Address (if different from Home Street Address)			
City	State	Zip Code	City	State	Zip Code	
County of Residence		Home/Cell Telephone		Work Telephone		
Name of Custodial Parent (if applicant is a minor)				Social Security Number		

**SECTION B: FAMILY INFORMATION**

List qualified dependents to be insured (see definition of dependents in Outline of Coverage).

Last Name	First Name	Initial	Relationship to Applicant	Social Security Number	Age	Date of Birth	Sex	Do they use tobacco?*
							M F	Yes No
							M F	Yes No
							M F	Yes No
							M F	Yes No
							M F	Yes No
							M F	Yes No

\* Smoked cigarettes, cigars or a pipe or used chewing tobacco, nicotine chewing gum or snuff in the 12 months prior to this application.

<sup>†</sup> A Division of Health Care Service Corporation, a Mutual Legal Reserve Company, an Independent Licensee of Blue Cross and Blue Shield Association

## SECTION C: ELIGIBILITY

### 1. Eligibility Information (mark all situations that apply):

- I am a US Citizen or a permanent resident of the U.S. for at least 3 continuous years. Proof of citizenship or legal residency may be required.
- I am a resident of the State of Texas. **Send a copy of one of the following as proof of residency: front and back of your valid driver's license or current voter registration card or current utility bill indicating your physical address. If the application is for a child under age 18, please include proof of residency for the parents. Please provide current proof of residency for dependent spouse and dependents age 18 or older, if applying for coverage.**
- I had health insurance coverage for 18 months preceding this application with no gap of coverage greater than 63 days and the most recent coverage was through an employer sponsored plan, church plan or government plan or another state's high risk pool. **Send a copy of the Certificate of Creditable Coverage or documentation of the prior coverage. IF THIS BOX IS CHECKED, DO NOT COMPLETE SECTION 2 BELOW.**

### 2. Evidence of One of the Following Must Be Provided (mark one section and provide required documentation):

- I have received a notice of rejection or refusal to issue substantially similar individual health insurance for health reasons by an insurer. A rejection or refusal by an insurer offering only stop-loss, excess loss, or reinsurance coverage with respect to the applicant shall not be sufficient evidence. **Send a copy of the rejection letter from the insurance carrier.**
- My agent has certified that he/she is unable to obtain substantially similar individual health insurance for me with the insurance carrier he/she represents because I will be declined for coverage, as a result of my medical condition, based on the insurance carrier's underwriting guidelines. **Agent must complete Section I: AGENT INFORMATION.**
- I have been offered substantially similar individual health insurance coverage, but with a conditional rider excluding coverage for a medical condition. **Send a copy of the letter from the insurance carrier that includes the conditional rider exclusion. Note: COBRA and association group coverage are not considered individual coverage.**
- I have been diagnosed with one of the following medical or health conditions. **Send a signed and dated letter from your physician's office, stating the specific diagnosis and date of diagnosis. Please DO NOT send medical records. Check the condition(s) in the following list that applies to you:**

#### Cancer

- Malignant Tumor within 4 years (except skin cancer)
- Metastatic

#### Cardiovascular

- Artificial Heart Valve
- Cardiomyopathy
- Coronary Artery Disease
- Polyarteritis Nodosa
- Peripheral Vascular Disease, including Intermittent Claudication

#### Endocrine/Exocrine

- Diabetes Mellitus
- Cystic Fibrosis
- Addison's Disease

#### Gastrointestinal

- Intestinal
  - Crohn's Disease
  - Ulcerative Colitis
- Liver
  - Cirrhosis (non-alcoholic)
  - Wilson's Disease
  - Hepatitis

#### Hematopoietic

- Anemia
  - Sickle Cell
  - Splenic (True Banti's Syndrome)
- Hemophilia
- Leukemia
- Thalassemia

#### Hodgkin's Disease

- Hodgkin's Disease

#### Immunological

- Acquired Immune Deficiency Syndrome (AIDS) or HIV Positive
- Lupus

#### Musculoskeletal

- Dermatomyositis or Polymyositis
- Muscular Atrophy or Dystrophy
- Myotonia
- Rheumatoid Arthritis
- Still's Disease
- Legge-Perthes Disease (Waldenstrom's Disease)

#### Neurological – Central Nervous System

- Cerebral Palsy
- Cerebral Vascular Accident (CVA)
- Epilepsy
- Huntington's Chorea
- Hydrocephalus
- Lead Poisoning with Cerebral Involvement
- Lobotomy
- Parkinson's Disease (if treatment within last 3 years)
- Guillian-Barre Syndrome

#### Neurological – Peripheral Nervous System (including Spinal Cord)

- Amyotrophic Lateral Sclerosis (ALS)
- Friedrich's Ataxia
- Myasthenia Gravis
- Paraplegia or Quadriplegia
- Sclerosis, Multiple, Disseminated or Postero-lateral
- Syringomyelia
- Tabes Dorsalis (Locomotor Ataxia)

#### Psychiatric

- Psychotic Disorders

#### Pulmonary

- Silicosis (Black Lung)

#### Renal

- Polycystic Kidney

#### Other

- Brain Tumor
- Down's Syndrome
- Scleroderma
- Transplants
  - Heart
  - Kidney
  - Liver
  - Lung

**SECTION C: ELIGIBILITY - cont. (check all situations that apply)**

**Check all that apply with respect to you or any other person listed on this application (if one of these applies, you may not be eligible for coverage with the Texas Health Insurance Risk Pool):**

**Eligible for:**

- |   |  |
|---|--|
| <input type="checkbox"/> Medicare (send a copy of your Medicare card) | <input type="checkbox"/> COBRA or state continuation (Not eligible if in COBRA or state continuation period. COBRA/and or state continuation rights apply to each individual, not just employee) |
| <input type="checkbox"/> Medicaid (send a copy of your Medicaid card) | <input type="checkbox"/> Conversion Policy   |
| <input type="checkbox"/> Employer Group                               | <input type="checkbox"/> Other Health Insurance  |
| <input type="checkbox"/> Association Group Policy                     |  |

**Check all that apply to you or any other person listed on the application:**

- |   |   |
|---|---|
| <input type="checkbox"/> Currently confined to a county jail or a state prison  | <input type="checkbox"/> Had prior coverage with Texas Health Insurance Risk Pool that was terminated for fraud.            |
| <input type="checkbox"/> Previously received benefits from the Texas Health Insurance Risk Pool (any benefits received will reduce benefits available under a subsequent policy; \$1,500,000 lifetime maximum). | <input type="checkbox"/> Terminated or lapsed coverage with the Texas Health Insurance Risk Pool within the last 12 months. |

**SECTION D: EMPLOYMENT INFORMATION (check all that apply)**

- You are employed or have been employed at any time during the past 18 months.
- You have not been employed at any time during the past 18 months.
- Your spouse, if you are currently married or were divorced or widowed within the past 18 months, is employed or has been employed at any time during the past 18 months.
- Your spouse has not been employed at any time during the past 18 months.
- An employer form is required for any individual listed on page one who is age 18 or older.
- If the applicant is under age 25 and single, an employer form is required for each parent, step-parent and/or guardian.

**Please complete and submit the Employment Information form for you or your spouse, as applicable. If married or divorced or widowed within the past 18 months, complete and submit the form for your spouse (even if the spouse is not applying for Texas Health Insurance Risk Pool coverage). If the applicant is a child, complete and submit the form for the dependent's parent(s), step-parent(s) and/or guardian(s):**

**SECTION E: OTHER INSURANCE**

Supply the following information for the past 18 months for each person to be insured. **If a dependent had different coverage, provide information regarding coverage of each dependent. Attach a separate piece of paper if necessary. Please provide the Certificate of Creditable Coverage or other documentation for all health coverages in the past 12 months for credit against the preexisting condition limitation period. If you are currently on Medicare, please send a copy of your Medicare card.**

Name of policyholder		Date coverage terminated *
Name of previous health coverage carrier		Telephone number of previous carrier
Name of employer providing coverage (if any)		Telephone number of employer
Identification number of coverage		Group number (if any)
How long were you covered?	From     /     /	To     /     /
Is coverage still in force? <input type="checkbox"/> YES <input type="checkbox"/> NO    If NO, Why did coverage terminate?		

\* If coverage is still in force - report "current" or scheduled termination date, if any.

**SECTION F: HEALTH HISTORY**

<p>Have you or any person to be insured by the Texas Health Insurance Risk Pool received or had recommended medical advice, care or treatment, including taking prescription drugs, within the past six months? <input type="checkbox"/> YES <input type="checkbox"/> NO If YES, provide the following information. If more than one condition has been treated or family members are to be insured and additional space is needed, attach a separate piece of paper providing the requested information for each condition of each person to be insured.</p>	
Name of Person Treated	Date of Advice/Care/Treatment
Advice, Care or Treatment Received	
Condition Treated	Treating Physician
Name of Person Treated	Date of Advice/Care/Treatment
Advice, Care or Treatment Received	
Condition Treated	Treating Physician
Name of Person Treated	Date of Advice/Care/Treatment
Advice, Care or Treatment Received	
Condition Treated	Treating Physician

**SECTION G: APPLICANT'S DISCLOSURE AUTHORIZATION AND DECLARATION**

I declare that no person named in this application is currently insured by a Texas Health Insurance Risk Pool policy. The foregoing statements and answers are full, complete, and true to the best of my knowledge and belief; and any coverage issued will be in full reliance upon this representation. I understand and agree that no coverage shall be effective until all requirements have been completed. I understand and agree to pay an application fee equal to the premium mode I have selected. This payment is only a deposit that will be returned if my application is denied or applied to any premium charges if my application is accepted. I understand and agree that the deposit of my application fee does not constitute acceptance of my application by the Texas Health Insurance Risk Pool.

I understand and agree that referring agents are not authorized to interpret, amend, or alter the terms of the Texas Health Insurance Risk Pool policy, nor are referring agents authorized to bind Texas Health Insurance Risk Pool in any way. I understand and agree that premiums charged for coverage and the coverage provided by the Texas Health Insurance Risk Pool are subject to change by the Board of Directors. **I understand that my coverage will become effective on the first of the month following approval and acceptance of the application by Texas Health Insurance Risk Pool.**

I understand that preexisting conditions of an insured person will not be covered by the Texas Health Insurance Risk Pool policy until the policy has been in force for twelve months unless the insured person is approved for a waiver of the preexisting condition limitation period because of previous creditable coverage. A preexisting condition is a disease or medical condition: for which the existence of symptoms would cause an ordinarily prudent person to seek diagnosis, care or treatment during the six months before an insured person's effective date of coverage; or for which medical advice, care or treatment was recommended or received during the six months before an insured person's effective date of coverage. Preexisting condition includes a preexisting pregnancy or a complication of a preexisting pregnancy, whether the complication occurs before or after the effective date of coverage. Preexisting condition does not include genetic information, in the absence of a diagnosis of the condition related to the genetic information.

I permit any physician, pharmacist, hospital or other health care provider, insurer, prepayment organization or other health plan provider to give the Texas Health Insurance Risk Pool, the Administrator or its designated representative any medical information about me or my dependents, including information about physical and mental health, medical history and drug or alcohol use. This information will be used to evaluate your eligibility for the Texas Health Insurance Risk Pool policy and claims for benefits. A reproduction of this authorization shall be as valid as the original.

The information you provide on this form and any attachments is private data under Texas law. The law does not require you to provide any data, but failure to do so will result in loss of eligibility for the Texas Health Insurance Risk Pool. By providing this data, you authorize the Texas Health Insurance Risk Pool and its Administrator to use and disclose the data as follows: any data you provide may be made available to the employees, agents, directors, officers of the Texas Health Insurance Risk Pool, the Administrator or legal counsel. It may also be made available to provider peer review panels or consultants, the actuarial or research organizations, or other persons authorized by law to receive such data.

I have read the above statement, and I agree to supply the data on this form with full knowledge of the information provided in that statement. If I am applying based on an agent's certification of my ineligibility for substantially similar coverage from an insurer or health maintenance organization, based on my medical condition(s), I hereby certify that the medical information provided on this application by the agent is correct and I agree that a copy of the agent's statement, SECTION I, may be furnished to the named insurer or HMO.

Signature of Applicant	Date (mm/dd/yy)	Signature of Custodial Parent (if applicant is under age 18)	Date (mm/dd/yy)
X		X	

**SECTION H: PREMIUM PAYMENT METHOD**

Choose One: (Future change to a lower deductible is not allowed. Only one increase in the deductible will be allowed during a calendar year.)

- |   |  |   |
|---|--|---|
| <input type="checkbox"/> PLAN I REGULAR (\$1,000 Deductible)  | <input type="checkbox"/> PLAN II REGULAR (\$2,500 Deductible)  | <input type="checkbox"/> PLAN III REGULAR (\$5,000 Deductible)  |
| <input type="checkbox"/> PLAN I MEDICARE (\$1,000 Deductible) | <input type="checkbox"/> PLAN II MEDICARE (\$2,500 Deductible) | <input type="checkbox"/> PLAN III MEDICARE (\$5,000 Deductible) |

Please Bill Me:

- Annually (Direct billed once a year)
- Semi-Annually (Direct billed twice a year)
- Quarterly (Direct billed every three months)
- Monthly Automatic Bank Deduction (Please attach a copy of a voided check, not a deposit slip, with the correct account number and fill out the authorization agreement on the next page.)

Using the table below, calculate the amount of premium due with this application. Payment should be by personal check, money order or cashier's check. **Company checks are accepted only if applicant is the owner or co-owner of a business and such business does not provide an employer health plan.**

**Premium Calculation Table**

	Applicant's/Dependent's First Name	Age	Sex	Tobacco user?*	First 3 Digits of Zip Code	Applicable premium amount from rate table**
1						
2						
3						
4						
5						
6	<b>Subtotal</b>					
7	<b>Initial premium is determined by the premium payment method selected:</b> Monthly = 1 month Quarterly = 3 months Semi-Annually = 6 months Annually = 12 months					
8	Multiply line 6 by the number of months determined on line 7 and <b>INCLUDE THIS AMOUNT WITH THE APPLICATION.</b>  align="right"> <b>TOTAL</b>					

\*Smoked cigarettes, cigars or a pipe or used chewing tobacco, nicotine chewing gum or snuff in the 12 months prior to this application.

\*\*Premium amount is calculated based on age on the policy effective date.

**SECTION H (cont.): BANK DRAFT FORM**

**Complete this section only if you are requesting to pay premiums monthly.**

**Authorization Agreement for Monthly Automatic Bank Deduction of Insurance Premium**

Complete and sign the Authorization Agreement for monthly Automatic Bank Deduction of Insurance Premium if you have chosen monthly payments. Please note:

- **Attach** a sample of your check marked "VOID".
- Verify your account number with your banking institution. (Frequently, the account number listed on a check includes or removes digits from the actual account number.)

As a convenience to me (or us if this is a joint account), I (we) hereby request and authorize you to pay and charge to my (our) account checks or electronic debits drawn on my (our) account by you and payable to the order of the Texas Health Insurance Risk Pool. I (we) agree that your rights in respect to each such check or electronic debit shall be the same as if it were a check drawn on you and signed personally by me (us). This authority is to remain in effect until revoked by me (us) in writing and until you actually receive such notice. I (we) agree that you shall be fully protected in honoring any such check or electronic debit.			
I (we) further agree that if any such check or electronic debit be dishonored, whether with or without cause and whether intentionally or inadvertently, you shall be under no liability whatsoever even though such dishonor results in forfeiture of insurance.			
Name of Account Holder(s)			
1. _____		2. _____	
Bank Name		Checking Account Number: (Do not use a savings account.)	
Bank Address			
City	State	Zip Code	Routing Number:
<b>Signature of Account Holder(s)</b>			
Name (please print)		Name (please print)	
Signature	Date (mm/dd/yy)	Signature	Date (mm/dd/yy)
X		X	

To The Financial Institution named: In consideration of your participating in a plan which the Texas Health Insurance Risk Pool ("Company") has put into effect by which amounts due on policies of insurance are collected by checks drawn or pre-authorized electronic debits originated by the Company on the accounts of persons who are responsible for these payments, the Company does hereby agree that:

- (1) It will indemnify and hold you harmless from any liability to any person arising out of the payment by you of any check or electronic debit, whether or not genuine, originated by the Company in the regular course of business for the purpose of payment, or arising out of the dishonor by you whether with or without cause, or intentionally or inadvertently, of any such check or electronic debit, whether or not such claim or liability asserted against you be based upon the forfeiture or alleged forfeiture of a policy of insurance the premium on which is sought to be collected by the Company by any such check or electronic debit; and
- (2) Without limitation on the foregoing indemnities, it will refund to you any amount erroneously paid by you on any such check or electronic debit if claim for the amount of such erroneous payment is made by you within six months from the date of the check or electronic debit on which such erroneous payment was made; and
- (3) Your participation in the plan or that of the depositor may be terminated by written notice from either party to the other, likewise, your participation and that of the Texas Health Insurance Risk Pool may be terminated by 30 days written notice from either party to the other.

Texas Health Insurance Risk Pool

D. Gregory Barbutti  
 Secretary/Treasurer  
 Authorized in a resolution adopted by the Board of Directors

THIRP APPLICATION 01/2007

**SECTION I: AGENT INFORMATION (if applicable)**  
 To be completed if an Insurance Agent assisted with this application.  
 (Information is required to process the \$50 agent referral fee)

Applicant Name		Applicant Social Security #	
Agent Name (Printed)		Texas Insurance License No. (Required)	
Business or Agency Name		Social Security or Tax ID #	
Business or Agency Address		Work Telephone Number	
City	State	Zip Code	Fax Telephone Number
<p><b>I understand that Texas Insurance Code statutes, §1501.352 and §1506.159 prohibit an agent from attempting to arrange or assist in excluding an eligible individual from an employer health benefit plan, specifically by attempting to arrange or assist in obtaining coverage from the Texas Health Insurance Risk Pool. I hereby certify that, if the applicant is employed, his employer does not have employer health coverage in effect nor does the employer intend to obtain such coverage within the six months after the date of this application.</b></p>			
Agent's Signature		Date	
X			

**If Agent is certifying applicant's eligibility under Section C: ELIGIBILITY, Agent must also complete the following**

Medical Condition and Approximate Date(s) of Diagnosis	Name and Address of Attending Physician
Name and address of Insurer or Health maintenance Organization that will NOT accept Applicant.	

I hereby certify that I believe I am unable to obtain individual health insurance substantially similar to that offered by the Texas Health Insurance Risk Pool for this applicant from the indicated insurer or HMO, with which I am appointed, because the current underwriting guidelines of such insurer or HMO reflect a declination for the applicant's medical condition(s).

Agent's Signature	Date
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The Pool reserves the right to require an attending physician's statement. A copy of this certification may be provided by the Texas Health Insurance Risk Pool to the named insurer or HMO.

**CHECKLIST FOR APPLICATION**  
Must Be Completed and Returned with Application

**BEFORE MAILING YOUR APPLICATION, PLEASE COMPLETE THIS CHECKLIST, WHICH MUST BE SUBMITTED WITH YOUR APPLICATION.**

**1. Application SECTION C: ELIGIBILITY INFORMATION**

- a. I have included proof of Texas residency, including physical address, by providing **one** of the items below for each person, age 18 or over, to be covered:

- A copy of the front and back of a valid Driver's License.  
**or**  A copy of a valid Voter Registration Card.  
**or**  A copy of a current Utility Bill

If application is for a child under age 18, please include proof of Texas residency for parent(s).

- b. I have selected and included proof of **one** of the following:

- I have maintained health insurance coverage for the past 18 months or more, with no gap in coverage greater than 63 days and the last coverage through an employer sponsored plan, church or government plan, or another state's high risk pool. I have enclosed a termination letter\* and a copy of my previous ID card, showing when coverage began, or a Certificate of Creditable Coverage from my previous insurance carrier or, if a self-funded plan, from my employer.
- or**  I have enclosed a letter of notice of rejection\* from one insurer for substantially similar individual health insurance coverage due to medical reasons.
- or**  My agent has completed the agent certification, Section I on the application indicating that I am unable to obtain substantially similar individual health insurance, as a result of a medical condition, based on the insurance carrier's underwriting guidelines. The insurance company name and address are included.
- or**  I have enclosed a copy of a letter\* offering substantially similar individual health coverage by an insurer with a conditional rider excluding coverage for medical reasons (COBRA and association group coverage are not individual coverage).
- or**  I have enclosed a letter from my physician's office, indicating that I have been diagnosed with one of the Pool's qualifying medical conditions, listed on the application, including the date of diagnosis.

**2. Application SECTION D: APPLICANT/SPOUSE EMPLOYMENT**

- I have included the completed Employment Information form(s).

**3. Application SECTION E: OTHER INSURANCE (for Preexisting Condition Waiting Period Credit)**

- I have enclosed a termination letter\* and a copy of my previous ID card, showing when coverage began, or a Certificate of Creditable Coverage from my previous insurance carrier or, if a self-funded plan, from my employer. NOTE: This documentation is not required to complete the application process; however, it is required for preexisting condition waiting period credit.

**4. Application SECTION H: PREMIUM PAYMENT METHOD**

- a.  I have selected a Deductible Plan.
- b.  I have INCLUDED a personal check, money order or cashier's check for the initial premium payment (see Section H of the application for the required premium amount; checks must be payable to the Texas Health Insurance Risk Pool). Note: company checks are accepted only if applicant is the owner or co-owner of business and business does not provide an employer health plan.

**c. For all applicants paying monthly:**

- I have completed page 7 of the application.  
 I have included a voided check.

\*Note: The document must be written on insurance company letterhead with the applicant's name included.

**TEXAS HEALTH INSURANCE RISK POOL  
EMPLOYER EMPLOYMENT VERIFICATION**

Copies of this form are to be completed by you and your current employer and your spouse's current employer (even if your spouse is not covered or to be covered by the Pool). If you are the person named below, and under the age of 25 and single, the current employer of each of your parents must complete this form. If you are self-employed, your employer is your company. If you are unemployed or retired, SECTION B does not need to be completed.

Individual's Information (SECTION A)	
Your Name:	Your Social Security Number or Unique ID
	Your Spouse's Name (if any):
Are you employed? <input type="checkbox"/> Yes <input type="checkbox"/> No	Is your spouse employed? <input type="checkbox"/> Yes <input type="checkbox"/> No
<b>If yes to either question, the applicable employer(s) must complete Section B below.</b>	
Are you self-employed? <input type="checkbox"/> Yes <input type="checkbox"/> No	Is your spouse self-employed? <input type="checkbox"/> Yes <input type="checkbox"/> No
<b>If yes to either question, complete Section B for the applicable business(es).</b>	
<b>If no employer or not self-employed, please complete Section A only and return.</b>	
Marital Status-- <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Divorced <input type="checkbox"/> Widowed	
<b>If you checked married, and your spouse is employed, please complete a separate form for your spouse's employment information. If you have been divorced or widowed within the last 18 months, please provide the last employment information for your former spouse.</b>	
Employment Information for <input type="checkbox"/> You <input type="checkbox"/> Spouse <input type="checkbox"/> Mother <input type="checkbox"/> Father	
If you or your spouse is unemployed or retired, please provide the date of last employment or retirement: You _____ Spouse _____	
If you have been unemployed or retired <u>more</u> than 18 months please fill in your last employer's name only. If you have been unemployed or retired <u>less</u> than 18 months please also provide your last employer's phone number.	
Last Employer Name: _____ Phone: _____	
Your Signature	Date

Employer Information (To be completed and signed by current Employer only) (SECTION B)	
Employer/Business Name:	Telephone Number:
Address:	Number of Employees (including yourself & including owner if employed):
Employee's Name:	
Date of Employee Hire or Business Start Date:	Waiting Period for Employer Health Coverage (if any):
Does employer provide group health benefit coverage, either insured or self-insured? <input type="checkbox"/> Yes <input type="checkbox"/> No	
If the employer does not provide a group plan, is coverage for the employees provided through individual health insurance coverage? <input type="checkbox"/> Yes <input type="checkbox"/> No	
If insured, either through a group policy or individual policies, the name and telephone number of insurance company:	

(SECTION B continued)	
Is coverage available for dependents of the employee?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Is the person, named above as the employee, eligible for employer's coverage? If no, please explain:	<input type="checkbox"/> Yes <input type="checkbox"/> No
Does the employer pay all or part of the cost of employee coverage for any employees? If no, please explain:	<input type="checkbox"/> Yes <input type="checkbox"/> No
If the employer pays all or part of the cost for employee coverage, is the amount paid for insurance included in the employees' taxable wages? If no, please explain:	<input type="checkbox"/> Yes <input type="checkbox"/> No
If yes, can the employee use the amount paid for other purposes besides health insurance premiums? If yes, please indicate the other permissible uses:	<input type="checkbox"/> Yes <input type="checkbox"/> No
If the employer does not currently provide coverage, was coverage provided during the last 12 months?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Date of and reason for coverage cancellation/termination:	
If insured, the name and telephone number of insurance company:	
Does the employer intend to provide health coverage for employees in the next 6 months?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Is the employer working with an agent or third party administrator to secure or establish group coverage? If yes, the name and telephone number of the agent or the TPA:	<input type="checkbox"/> Yes <input type="checkbox"/> No
Does the employer pay for or reimburse or intend to pay or reimburse the person, named above as the employee, for all or part of the Pool premium, either directly or indirectly, including through a Health Reimbursement Arrangement (HRA) or Section 125 Plan (Cafeteria Plan)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
<p><b>I understand that Texas Insurance Code statutes, §1501.352 and §1506.159 prohibit an agent, a third party administrator or insurer from attempting to arrange or assist in excluding an eligible individual from an employer health benefit plan, specifically by attempting to arrange or assist in obtaining coverage from the Texas Health Insurance Risk Pool. I hereby certify that the above answers are true and correct. I further understand that a false or fraudulent statement or representation, made in order to procure coverage under a health benefit plan, including a public plan such as the Texas Health Insurance Risk Pool, for a person who is ineligible for such plan, is a violation of the anti-fraud provisions of the Health Insurance Portability and Accountability Act, 18 USC §1035, to which civil and criminal penalties, including imprisonment, can apply.</b></p>	
Employer's Signature: _____	Title: _____
Date: _____	Printed Name: _____