Health Reform: What Legislators Need to Know about High Risk Pools

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Temporary High Risk Pools

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Temporary High Risk Pool Program

- Section 1101 of the Affordable Care Act of 2010 (P.L. 111-148)
- For people who have been uninsured for at least 6 months and have a pre-existing condition
- 50 States and DC
- $5 billion allocated through 2014—entirely Federally funded

Eligibility

- Eligible individuals must:
  - Be a citizen or national of the United States or lawfully present in the United States;
  - Not have been covered under creditable coverage (as defined in Section 2701(c)(1) of the Public Health Service Act) for the previous 6 months before applying for coverage; and
  - Have a pre-existing condition, as determined in a manner consistent with guidance issued by the Secretary.

Premiums

- Premiums must be set so that they:
  - Equal a standard rate for a standard population (that is, not exceed 100 percent of the standard non-group rate); and
  - Do not vary by age by more than 4 to 1.

Funding

- Federal appropriation of $5 billion
- Available beginning on July 1, 2010 until January 1, 2014
- Allocation similar to CHIP
- See funding allocation at http://www.hhs.gov/ociio/initiative/hi_risk_pool_facts.html

State Participation

- Choose to:
  - Operate a new high risk pool alongside a current state high risk pool;
  - Establish a new high risk pool (in a state that does not currently have a high risk pool);
  - Build upon other existing coverage programs designed to cover high risk individuals;
  - Contract with a current HIPAA carrier of last resort or other carrier, to provide subsidized coverage for the eligible population; or
  - Do nothing, in which case HHS would carry out a coverage program in the state.

State Participation

- HHS asked States to indicate
  - 29 States indicated that they intend to operate a qualified high risk pool
  - 19 States elected to have the Federal government run the program
  - 3 States are working with HHS to determine their participation

Timeline

- April 2, 2010
  - HHS issues letter to States seeking from each by April 30, 2010 a State a Notice of Intent relative to the operation of high risk pool programs.
- April 22, 2010
  - HHS holds a call with States to review the anticipated requirements of the contract solicitation.
- April 30, 2010
  - Deadline from April 2, 2010 letter for States to send HHS a Notice of Intent that they intend to submit a proposal to operate a high risk pool program.
- May 10, 2010
  - HHS issues a solicitation for States to submit proposals to operate high risk pool programs.
- June 1, 2010
  - Deadline for State submission of proposal for HHS evaluation and contract awards by July 1, 2010.
- July 1, 2010
  - HHS awards contracts to States that have submitted acceptable contract proposals by June 1, 2010, to operate high risk pool programs.

The Bottom Line
How Are My Constituents Affected?

- The new health law bans discrimination based on pre-existing conditions, starting in 2014.
- In the meantime, high risk pools will provide insurance coverage to people who have been uninsured for 6 months and have a pre-existing condition.
- Watch for more information about how to sign up for a high risk pool in your State.

Questions?

highriskpools@cms.hhs.gov

Health Reform:
What Legislators Need to Know

States and High Risk Pools

NCSL Webinar - May 17, 2010

Richard Cauchi
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Denver, Colorado

Rev. 5/17/2010 KY

State High Risk Pools
Operating in 35 states today

Nationwide enrollment of 200,358 Dec. 2008

More for parts of year; between employment

- Risk pools started in 1976, grown steadily.
- About 25% of the applicants subject to denied or excluded "adverse underwriting" by private insurers

Health Insurance Coverage of last resort

- Focus only on the individual market (non-employer)
- Not eligible for group employer or public programs
- Uninsurable (pre-existing conditions)

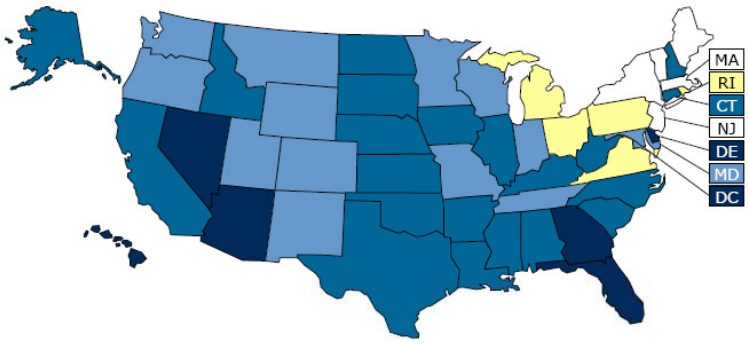
State High Risk Pools
Who is included

- Aids those who have already been: turned down; have conditions excluded; subject to expensive rates.
  - Cancer, including history
  - Diabetes
  - Heart disease
  - MS
  - Depression
  - HIV
  - Pregnancy
  - Others- varies by state
- HIPAA eligible (19 states) group-to-individual coverage
- HCTC eligible (23 states) - health tax credit for early retirees
  (See Maryland Presentation for details)

State High Risk Pools
Primarily state or in-state funded

- All pools "inherently lose money" & need funding.
- $2 billion total annual expenses.
- Premiums = $1.1 billion; cover 56% of expenses
- Insurer assessments in 31 states = $700 million
- State general funds (IL, IN, LA, SD, TN, UT, WY)
- Substantial funding from other sources (CA, CO, KY, NE, WI) [tobacco surtax, unclaimed property, provider discounts]
- HHS/CMS federal grants = $50 million in '08; $74 million for 2009

State High Risk Pools Currently Operational 2009-2010



No High-Risk Mechanism
High-Risk Pool
High-Risk Pool with Low-Income Subsidy
Open Enrollment Requirement
Guaranteed Issue Requirement

Idaho has a reinsurance pool, covering $5k+.
Florida closed enrollment in 1991, it now covers 300 residents

Update: MARCH 2010

States regulating the private market

- **Guaranteed issue:** In **ME, MA, NJ, NY, VT** Health insurance cannot turn applicants down based on health or risk status. Community rating spreads the risk more evenly across the pool, greatly lowering the premiums for high-risk members but increasing premiums for the other members.
- **Open enrollment:** In **MI, PA, OH, VA** requirements act as a limited form of guaranteed issue where a capped number of spots within affected plans are available during the open enrollment period, filled in order of application.

Challenges for existing state programs
Availability

- Similarities to private employer coverage
  - Limited open enrollment period
  - Eligibility for other coverage = disqualified
  - Enrollment cap at times (FL, CA, IL)
- Limited financial resources in the state
  - Balanced against other health programs

Based on: Karen Pollitz, Health Policy Institute, Georgetown University. (2008, 2010)

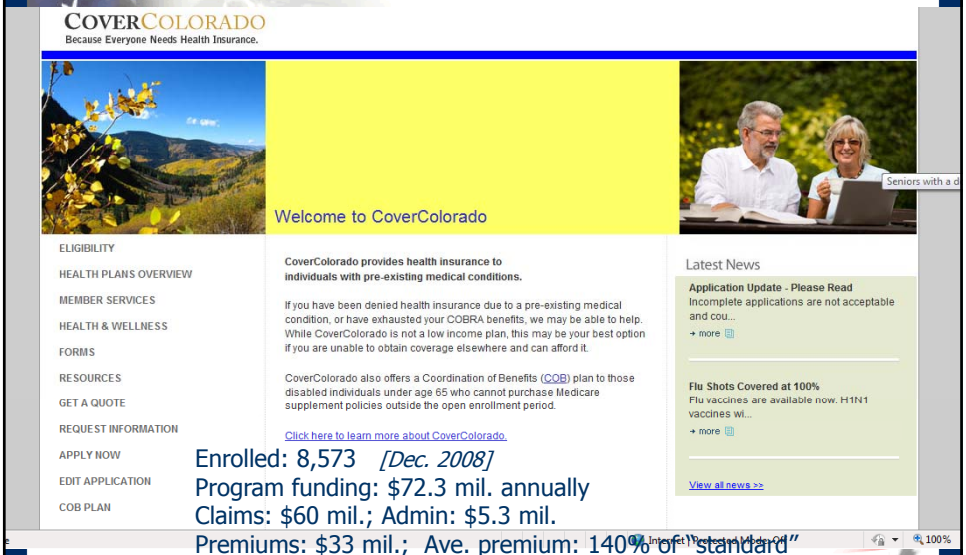
Current state High Risk programs
Premiums and Affordability

- Premium surcharges above standard rates
  (maximum of 200% in 14 states;
  150-175% in 15 states; 125% in 2 states)
  Actual average annual premium $5,660 /yr (2008)
- Compares to $4,824 for typical (*non high risk*) individual coverage policy nationwide, including employer-based.
- High Risk premium subsidy for low-income in 12 states.

Current state High Risk programs
Enrollee requirements

- **Pre-existing condition waiting periods**
  - no exclusion . . 2 states | 6 months . . . .16 states
  - 2-3 months . . . 5 states | 9-12 months . . 9 states
- **Varied enrollee cost-sharing**
  - Annual deductibles (typically $1,000 - $5,000)
  - Co-insurance + co-payments
  - Caps on coverage: Lifetime (32) or annual (6)
    many have $1 million maximum lifetime benefits
- Several features parallel to commercial policies

An Operational State Example

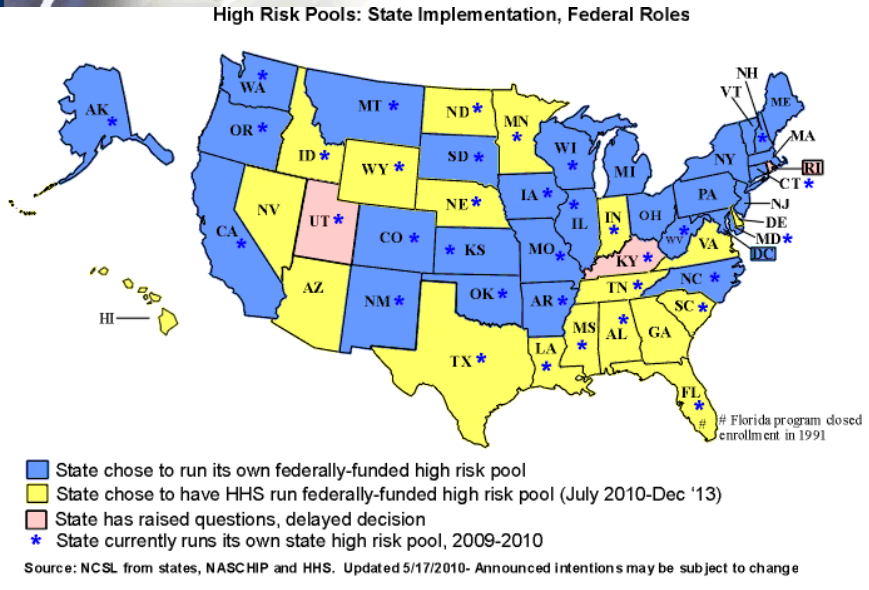


Enrolled: 8,573 *[Dec. 2008]*
Program funding: $72.3 mil. annually
Claims: $60 mil.; Admin: $5.3 mil.
Premiums: $33 mil.; Ave. premium: 140% of "standard"
52% over age 50; 8% under 18
New federally funded program : $90 million for 3 ½ yrs.

What Legislators Need to Know:
Federally funded Risk Pools
July 2010 and beyond

- A new experience in all 50 states.
- New first-time eligible enrollees
- Lower price premiums
- Expanded public interest, education
- Legislators will get questions
  - The 15 "new" states: how, where, how much?
  - The 35 current states: Existing Agencies/Associations are a focal point; details emerging by June
- Does state law need to change?

Old Pools and New Pools:



What Legislators need to know

50 States are in 4 practical categories*

- Current high risk pool; will run federal (at least 20 states)
- No current program; will run federal (8 states + DC)*
- Current high risk pool; will not run federal (13 states)
- No current program; will not run federal (6 states)*
- Negotiating; delayed decision (2 current states [UT + KY] + 1 no program state [RI])

Updated 5/16/10

* Federal law does not assume or require an existing program.

2010 State Legislatures:
Some already playing a direct role

New High Risk reform-coordinating laws in

- **Maryland** (April 2010)
- **North Carolina** (late 2009)
- **Oregon** (March 2010)

Passed bills, awaiting governors' action

- **Colorado** (May 2010)
- **Illinois** (May 2010)

Pending/ Filed in: **California, Georgia, Louisiana, Missouri, Pennsylvania**

Tight timing for states - only 12 legislatures in session by June 1

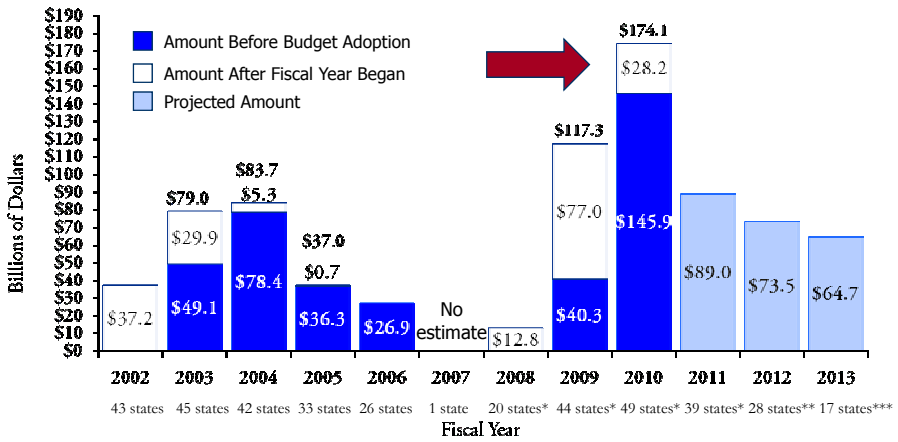
A likely step: planning for 2011 sessions

Bill status as of May 14, 2010

State-only to federally funded Compatibility for 2010-11:

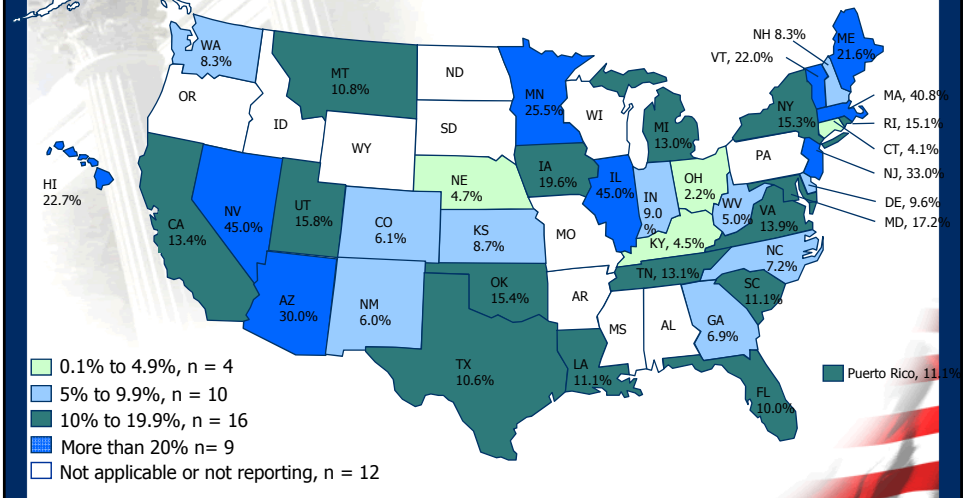
- For all states with a current program identifying the best way to run parallel groups with different premiums and financing.
- Seamless for the public?
- Enrollees who want to transfer from state to federally-funded. 6-month wait; what else.
- 100% federally financed; but will state-only funds be needed?
- Major state budget gaps for FY 2010-11 ➔

State Budget Gaps FY 2002-FY 2010 (projected)



* Includes Puerto Rico
** 31 states and Puerto Rico forecast FY 2012 gaps. The amount shown for FY 2011 indicates the 28 states that provided gap amounts.
*** 21 states forecast FY 2013 gaps. The amount shown for the FY 2012 indicates the 16 states that provided gap estimates.

Pre-Enactment FY 2011 State Budget Gaps
as a Percentage of General Fund Budget



High Risk Pools
More resources

- NCSL: State High Risk Pools
  http://www.ncsl.org/?tabid=14329
- National Association of State Comprehensive Health Insurance Plans" (NASCHIP)
  http://naschip.org
- NCSL Federal Health Reform Implementation
  http://www.ncsl.org/?tabid=17639
- Temporary High Risk Health Insurance Pool Program
  http://www.ncsl.org/documents/health/NCSLHRP.pdf

State High Risk Pools and Health Reform

Maryland Health Insurance Plan

Coverage for People who are Uninsurable

NASCHIP

National Association of State Comprehensive Health Insurance Plans

Richard Popper
Executive Director
Maryland Health Insurance Plan
NASCHIP Board Member

Submitted to NCSL May 14 2010

Purpose of State High Risk Pools

The purpose of state high-risk pools is to provide comprehensive health coverage for medically uninsurable state residents, and to maintain the overall affordability of individual insurance coverage

Risk pools first began to be established in the mid-1970s, and have gradually grown to 35 states, with 10 being established since 1999

Risk pools had an average monthly enrollment of 200,991 in 2008, with nearly 300,000 individuals covered during the year

Individual market premiums in 35 risk pools states are up to 35% lower than rates charged in other states with guarantee issue

Who enrolls in Risk Pools (2008)?

Medically eligible ***71% of enrollment***

- have been refused individual health insurance due to a health condition, or offered restricted coverage
- have one of from a list of qualifying medical conditions (for example 67 in Maryland)

HIPAA eligible ***28% of enrollment***

- exhaust group coverage (COBRA, or employer drops coverage or closes), and
- 18 months of creditable prior coverage, and
- no more than 63 day lapse between prior coverage.
- NOTE: unemployed who are HIPAA eligible don't receive 65% COBRA subsidy from ARRA

Health Coverage Tax Credit eligible ***1% of enrollment***

- Lost group coverage due to international trade, or
- Pension assumed by Pension Benefit Guarantee Corp.
- Such individuals receive 80% federal tax credit toward premium

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Maryland Qualifying Medical Conditions			
Addison's	COPD	HIV Positivity	Paraplegia
AIDS	Coronary Artery Disease	Hodgkin's	Parkinson's
Alzheimer's	Coronary Insufficiency	Huntington's	Porphyria
Amyotrophic Lateral Sclerosis	Coronary Occlusion	Hydrocephalus	Pregnancy
Angina Pectoris	Crohn's Disease	Kidney w/ Dialysis	Psychotic Disorders
Ankylosing Spondylitis	Cystic Fibrosis	Leukemia	Quadriplegia
Aplastic Anemia	Dementia	Lupus	Rheumatoid Arthritis
Ascites	Diabetes (Type I & II)	Major Organ Trans.	Scleroderma
Banti's Disease or Synd.	Emphysema	Multiple Myeloma	Sickle Cell Disease
Bipolar Disorder	Esophageal Varicies	Multiple Sclerosis	Stroke
Cancer w/in 5 yrs (ex. skin)	Friederich's Ataxia	Muscular Dystrophy	Syringomyelia
Cardiomyopathy	Guillain Barre Synd.	Myasthenia Gravis	Tay-Sachs Disease
Chemical Dependency	Hemocromatosis	Myotonia	Ulcerative Colitis
Cirrhosis of the Liver	Hemophilia	Non-Hodgkin's Lymphoma	Wilm's Tumor
Congestive Heart Failure	Hepatitis B & C	Palsy	Wilson's Disease

How are state risk pools currently funded?

- Member premiums fund approximately 54% of total plan's costs among 35 state pools, with remaining funding coming mostly from assessments on state regulated insurance plans
- Policyholders pay premiums that vary from 105% (5% above standard) to 200% (100% above standard) of rates charged by commercial plans to those who pass individual medical underwriting.
- 12 state risk pools discount premiums for limited income members, from 18% to 67%.
- 2008 individual monthly premium varies from $240 (New Mexico) to $752 (Wyoming) for most popular products

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Risk pools provide comprehensive benefits

With few exceptions, state risk pools provide comprehensive benefits which cover the following:

Hospital Inpatient
Emergency room and urgent care
Mental Health (except 1 state)
Home health care
Diagnostic and lab services
Ambulance
Chemotherapy
Organ transplants
Skilled nursing facilities (except 1 state)
Maternity (except 2 states)
Hospital outpatient
Preventive care
Professional services
Durable Medical Equipment
Therapy (PT, OT, ST)
Hospice
Prescription drugs
Substance abuse
Prosthetics

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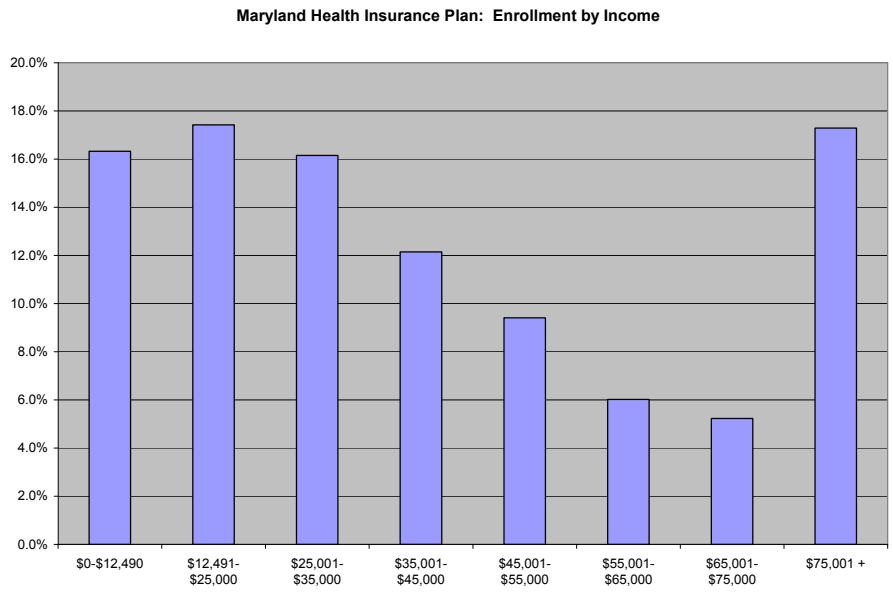

Why aren't current state risk pools larger, or more affordable?

Most uninsured are not "high risk"

- Of 47 million uninsured, CPS data indicates only 1.3 million report "poor" health, and such individuals have average income of $8,614 in 06-07.
- 3.6 million report "fair" health, with average income of $13,794
- In Maryland, only 18% of individual insurance applications are denied or ridered annually. Estimate that 55% of such individuals go into risk pool.

State risk pools have limited funding

- Risk pools currently receive only $50 million in federal funding, for $2 billion in costs, states and member premiums must cover the remaining $1.9 billion in risk pool subsidies.
- Most states can only impose risk pool funding assessments on individual insurance market carriers (which subsidize losses), and in some states the small group market. The individual market is only 6 to 10% of insureds in states, while employer coverage (that do not fund risk pools) is approximately 75% of insureds.
- Congress/Obama Administration acknowledge funding is key for risk pools, since PPACA dramatically expands federal risk pool funding for losses ($5 billion)

Funding limits and existing individual market structure require pools to impose preexisting condition exclusions and surcharge premiums, which can reduce enrollment demand

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Description of Temporary Federal High-Risk Insurance Pool in PPACA

- PPACA establishes a *temporary national high risk pool* program as a stop-gap measure to make health insurance available to uninsured individuals with pre-existing conditions, *prior to impact* of market reforms in 2014.
- PPACA provides a total of $5 billion in one-time funding for the new temporary national high risk pool program, till 2014.
- Under the legislation, the HHS Secretary has 90 days until to establish the pool or pools, either directly or through contracts with states and non-profit entities.
- The following are descriptions and analysis of the PPACA provisions, from MHIP review of the Act. Secretary of HHS has significant regulatory and interpretive latitude so following is subject to change as regulations & guidelines are issued by HHS.

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Federal Risk Pool Eligibility

An "eligible individual" for the federal risk pool must:

- Have a preexisting condition, as determined in a manner consistent with guidance issued by Secretary of HHS
- Be Uninsured for 6 months prior to date applying for federal risk pool, and
- Be a US Citizen or lawfully present

Impact on Existing State Risk Pools

200,000 current risk pool subscribers appear to be ineligible for new federal pool due to their existing health coverage

Approximately two-thirds of future risk pool applicants may meet the above federal criteria, and can access coverage with no pre-ex exclusion

Remaining 1/3rd of future risk pool applicants, who have current or recent coverage (HIPAA eligible) apparently ineligible for new federal pool

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Federal Risk Pool Premiums

- "Established at a standard rate for a standard population", thus no rating up premiums due to applicant's health status
- May 10th HHS guidance states that federal risk pool premium "may not exceed" 100 percent of the premium for the applicable standard risk rate", so states could offer rates below market?
- Vary premiums on basis of age by no more than 4 to 1
- No apparent provision for subsidy of premiums by income

Impact on Existing State Risk Pools

Nearly 2/3rds of future state risk pool applicants, could pay 10% to 50% lower premiums in new federal pool

200,000 current risk pool members, and new HIPAA applicants will continue to pay premiums 10% to 100% *above* new federal pool rate

Some risk pool's current rates vary by age more than 4 to 1

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Federal Risk Pool Benefits

- Federal pool cannot impose preexisting condition exclusion, and will provide coverage at rates charged in commercial market to those who pass medical underwriting
- Risk pool's share of allowed plan costs must be at least 65% (actuarial value)
- Federal pool has an individual out of pocket maximum of no more than $5,950

Impact on Existing State Risk Pools

Most of the 2/3rds of future federal risk pool applicants, who would otherwise be subject to 6 to 9 month preexisting condition exclusion, will no longer face exclusion of coverage for their health condition(s) if they are eligible for new federal risk pool.

1/3rd of state risk pool applicants not subject to pre-ex exclusion

Nearly all of existing risk pools offer products which appear to meet the PPACA 65% actuarial value requirement, and have an out of pocket maximum less than $5,950

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Next Steps for Federal Pool

- Federal application for 30 states to apply as federal pool mechanism released on May 10th, and due by June 1st
- Federal regulations, specifying benefit, premium and eligibility standards may be released in early June.
- HHS must directly adminster pool in at least 18 states, 10 of which have existing state pools

Alabama	Louisiana	Tennessee
Delaware	Minnesota	Texas
Florida	Mississippi	Wyoming
Georgia	Nebraska	Virginia
Hawaii	Nevada	Don't Know:
Idaho	North Dakota	Arizona
Indiana	South Carolina	Utah

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Outstanding Issues With Federal Risk Pool Expansion

- Is $5 billion adequate? Estimated to cover 300,000 more uninsured with preexisting conditions. CMS actuary projects funding exhausted by 2011 or 2012. Demand will depend on benefit and enrollment details.
- Income subsidies??: GAO estimates 4 million eligible for high risk pools nationally, however their average income is very low ($9,000 to $14,000 mean annual income). No premium subsidies for low income individuals. 31% of Maryland members enroll thru low income subsidies, most of whom pay below market rates. Unclear if federal pool will subsidize by income
- Outreach is key: Many unaccustomed to seeking/referring individual health insurance coverage
- State by state demand will vary: Large states without pools (GA, OH) or with low or dormant enrollment (FLA, CA) could grow dramatically. Federal premium in Texas half of state pool. Large pool states, less so.
- How implement in 15 non-risk pools states & 10 risk pool states that have said "no thanks"? HHS contract with plans or HIPAA options, & how will federal pool operate in guarantee-issue states (NY, MASS, NJ, VT)?
- Startup pace will vary: Some states will move faster than others (90 days vs 1+ year). Remember variable SCHIP startup in late 90's?

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When other health plans say no . . . .

MHIP says yes!

National Association of State Comprehensive Health Insurance Plans at http://www.naschip.org

Any Questions?

- Use the Q and A panel on your screen.
- To find the archived webinar next week, go to http://www.ncsl.org/_____
- Please fill out the survey at the end of this webinar.

Thank you!

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Health Reform: What Legislators Need to Know

Webinar Series

Grant Opportunities

Wednesday, May 26, 3PM EDT

http://ecom.ncsl.org/public/registration/mtg_reg.htm?mtg=WC052610

Exchanges

Wednesday, June 2, 3PM EDT

http://ecom.ncsl.org/public/registration/mtg_reg.htm?mtg=WC060210

State Actions So Far

Wednesday, June 9, 3PM EDT

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Additional Resources

HHS Health Reform Website

http://www.healthreform.gov/

Maryland Health Insurance Plan

www.marylandhealthinsuranceplan.state.md.us

NCSL's Health Webpage

http://www.ncsl.org/IssuesResearch/Health/tabid/160/Default.aspx

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