

# Healthcare Re-FORUM

## Another Look at High-Risk Pools

The Patient Protection and Affordable Care Act (PPACA) established a temporary national high-risk pool program, also known as the Pre-Existing Condition Insurance Plan (PCIP). The basic rules and structure of the PCIP, including eligibility, were reviewed in *Healthcare Re-Forum: Issue No. 11, High Risk Pool Program*. Through the PCIP, states were given the option to either use federal funding and run their own high-risk pools or be part of the federal PCIP. For example, Ohio did not have an existing high-risk pool and opted to use federal funds to create one.



Prior to the implementation of the PCIP program, states have used several methods for providing coverage to individuals who either could not access group insurance or who had been denied coverage in the individual market for various reasons, including pre-existing conditions. In 35 states, state-run high-risk pools have helped to fill the gap for these individuals, providing coverage to approximately 200,000 people nationwide. Although each state's pool is different, average premiums have ranged from 125 percent to 200 percent of standard market rates, while also requiring significant cost sharing by enrollees. In states without high-risk pools, coverage has been provided through open enrollment periods, guaranteed issue or conversion policies. Eligibility for other government healthcare programs, such as Medicare and Medicaid, has eliminated an individual's eligibility for high-risk pool coverage.

The PCIP was modeled after these state-run high-risk pools; however, the following modifications were made by the PPACA in an attempt to make the PCIP more accessible:

- No waiting periods for coverage of pre-existing conditions, compared with three to 12-month waiting periods for state pools

- Plans must provide a minimum of 65 percent actuarial value for coverage (i.e., the portion of the total cost of covered benefits that is paid by a health insurance plan)
- Out-of-pocket costs are capped at \$5,950 for an individual, compared with deductibles in some state high-risk pools of up to \$15,000 and no caps on out-of-pocket costs
- Standard rate premiums for the state or its subdivisions that cannot exceed a ratio of 4:1 for age-based tiers
- Portability from one state to another

The PCIP is targeted at a small but significant subset of the population that has difficulty obtaining or maintaining insurance. The PPACA's intent was never to cover a large percentage of the uninsured population with this provision; instead, the intent was to offer a source of immediate coverage for a relatively small group of people with pre-existing conditions who had been without insurance for at least six months and who would not otherwise be able to access insurance until the American Health Benefit Exchanges (the Exchanges) are operational in 2014.

Unlike the Exchanges, the PCIP does not index premiums to income or provide subsidies for those with low incomes and therefore may not be a viable option for people who cannot afford standard market rates. The \$5 billion in federal funding provided for the PCIP is being used to offset pool costs, making the premiums comparable to those in the individual market rather than those in the existing state high-risk pools.

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States were given considerable flexibility in the design of their PCIP programs. In the 27 states that chose to run their own programs, HHS sent a request for proposals to nonprofit third-party administrators that included a model coverage template indicating the minimum standard for actuarial value, premiums and out-of-pocket expenses. In the remaining 23 states that did not choose to administer their own plans (plus the District of Columbia), HHS awarded the contract to administer the federal PCIP program to the Government Employees Health Association, which also administers the Federal Employees Health Benefits Program.

Insurance reforms in the PPACA, such as changes to age of dependents or requirements to cover preventive services at no cost, do not apply to the PCIPs (or state high-risk pools) because they do not meet the federal definition of a group health plan or a health insurance issuer.

The Interim Final Regulations issued about the PCIP cited estimates of potential enrollment that range from 175,000 to 400,000 individuals nationwide. Government economists projected 375,000 people would gain coverage in 2010. While the PCIP was only implemented recently, there has already been criticism about the lower-than-expected enrollment numbers<sup>1</sup>. On October 4, 2010, the Associated Press published a story titled “Low Enrollment Plagues ‘High-Risk Pool,’” in which the reporter pointed out that California has been funded for 20,000 enrollees but has fewer than 450 applicants. In addition, as noted in the article, Texas had just 200 enrollees by mid-September and Wisconsin had only received 300 applications for a program that has room for 8,000 individuals.

In contrast, the Ohio experience has been more positive. Medical Mutual of Ohio® was selected by HHS to administer the Ohio High Risk Pool. With nearly two months of the pool’s experience to draw upon, we have seen:

- A strong start with 650+ enrollees (through October), making Ohio one of the top program performers
- Community outreach by Medical Mutual, marketing the program through informational posters and brochures placed at pharmacy counters

- Additional outreach via both free media placement (newspaper articles, television newscasts and public service announcements) and paid media (radio advertisements)
- Communication with the Ohio State Medical Association about needed program support and participation by providers
- Presentations to brokers stressing the role they can play in identifying individuals eligible for the program
- Presentations by Universal Health Care Action Network of Ohio to 70 member associations, providing information about the structure of the Ohio plans and the enrollment process
- Additional marketing efforts by Medical Mutual through an e-newsletter sent to 200,000 current members asking for their assistance in identifying friends or family who may qualify for the program
- Comprehensive information available on Medical Mutual’s program website ([www.ohiohighriskpool.com](http://www.ohiohighriskpool.com)), such as background, products, eligibility information, and enrollment applications, with a link to the Ohio Department of Insurance’s (ODI) online “Frequently Asked Questions” page
- Extensive outreach via e-mails from ODI to government agencies and support organizations throughout the state

The early success of the Ohio High Risk Pool is a reflection of the positive working relationship Medical Mutual has with the broker and provider communities in Ohio, HHS and ODI, with the common goal of increasing coverage for Ohioans who have been unable to obtain health insurance due to pre-existing conditions. Medical Mutual knows that there is significant work still to be done and recognizes its responsibility to serve as a good steward of the PCIP program and for those whom it is intended to benefit.

<sup>1</sup> Enrollment information is not yet available for all states that chose to have their PCIP programs run by HHS (including Georgia, Indiana and South Carolina).

#### Future Topics:

- An Overview of the Health Exchanges
- Qualified Health Benefit Plans and the Health Exchanges