STATE HIGH RISK POOLS

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Overview

- What is a high risk pool?
- Why high risk pools?
- Who can enroll?
- Why low enrollment?
- How could they work better?

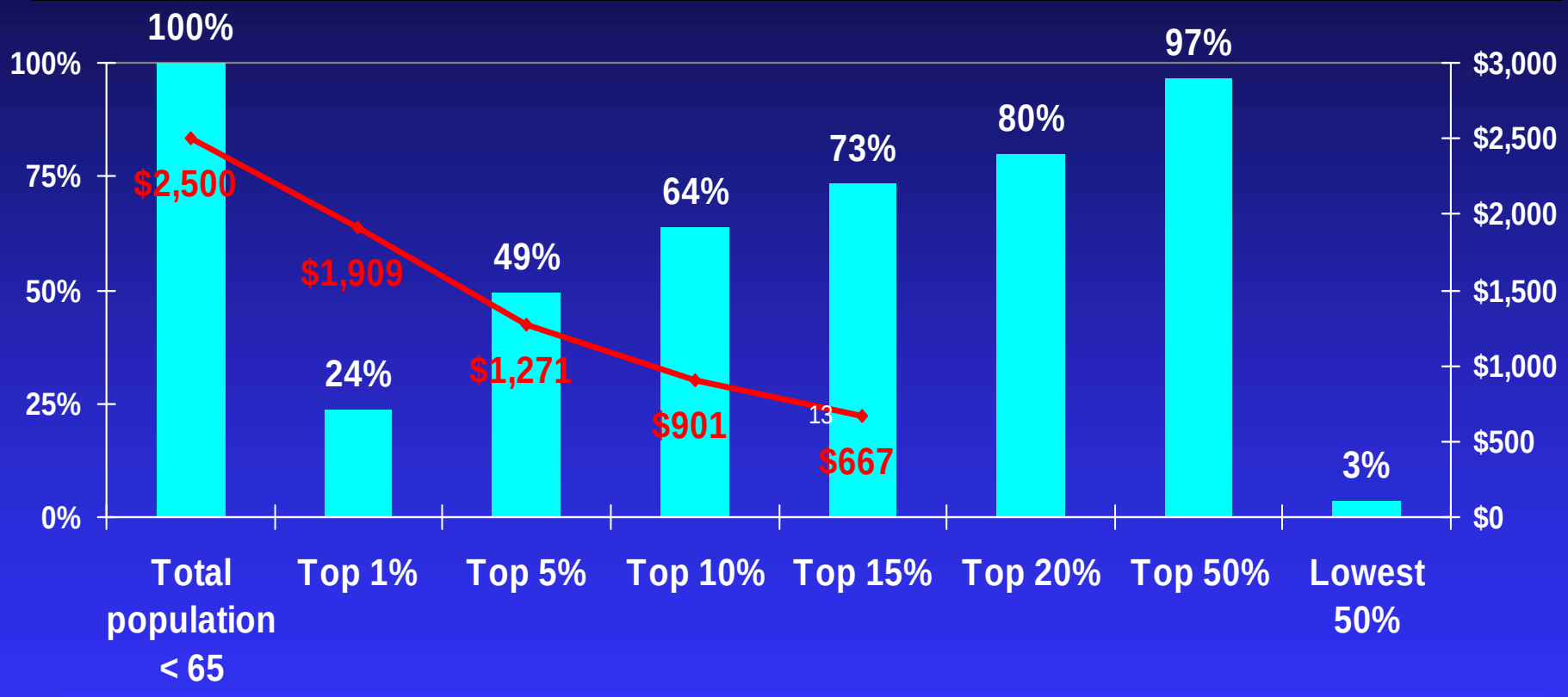
What Is a High Risk Pool?

- High risk pools are insurance programs for “uninsurable” individuals that carriers will not accept.
- In states with high risk pools, carriers can deny individual applicants with current or past health problems.
- 32 states have high risk pools that accept new enrollment.

Why High Risk Pools?

- Intended to keep premiums lower for healthy individuals
  - Health care spending is very concentrated: 5 percent of the population accounts for half of health care spending.
  - Denying coverage to the highest cost lowers average premium paid by others.
- Alternatives:
  - Require insurers to sell some or all products to all applicants (NY, NJ, MA, ME, VT, ID)
  - Carrier of last resort (MI, PA, DC)

Removing High-Cost Individuals from the Insurance Pool Reduces Average Cost for Others



Note: Population includes those with no health care spending. Health spending is measured as total payments for personal health care services from all payer sources.

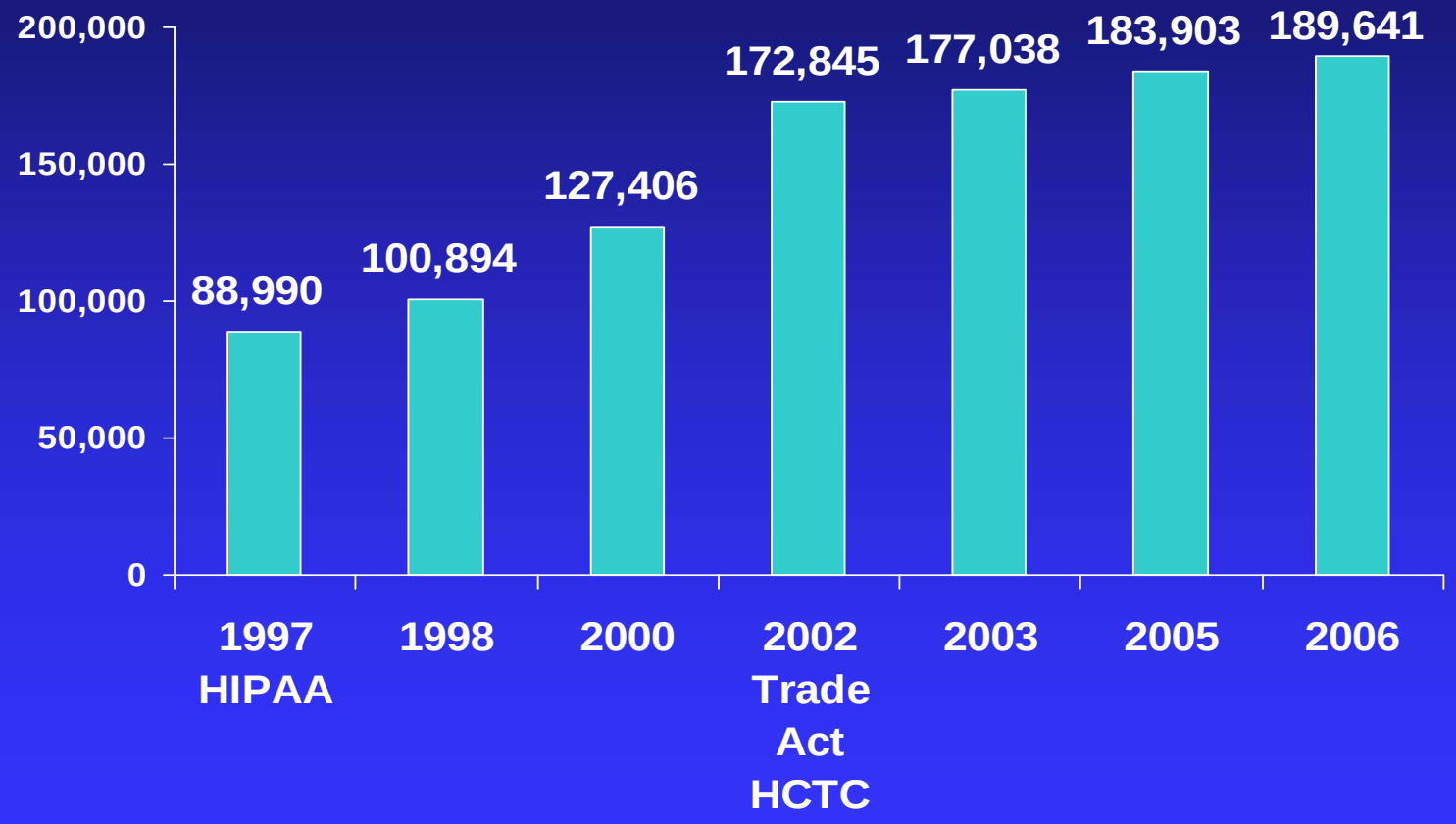
Source: Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey, 2003.

Who Can Enroll in a High Risk Pool? State Rules Vary

- People who apply for individual coverage, and
  - Are denied because of their health status, or only offered coverage with a permanent exclusion (all)
  - Have a qualifying health condition (half)
  - Quoted a high premium due to health status (some)
- "Federally eligible" individuals coming from group coverage
  - HIPAA
  - Health Care Tax Credit under the Trade Adjustment Assistance Act (HCTC/TAAA)

High Risk Pool Enrollment Has Grown, but Remains Very Low

National enrollment, all states:



Source: National Association of State Comprehensive Health Insurance Plans.

Why Low Enrollment? Restrictions on Eligibility

- Enrollment caps (IL, CA)
- HIPAA only (AL, SD)
- Previous COBRA election required (TN)
- Minimum residency (1-12 months)
- Eligibility for other coverage disqualifies
- Disqualified if dropped high risk pool coverage

Why Low Enrollment? High Premiums

- Premiums are 125-200 percent of standard rates
- Age rating makes coverage for older adults very expensive
- Large initial premium payment and mid-year premium increases
- Some states offer subsidy for very low-income, but too little to make a high premium widely affordable

Example: Annual Premiums in Missouri (150% of Market Rates)

	$1,000 deductible		$5,000 deductible	
Age:	**Male**	**Female**	**Male**	**Female**
0-17	$2,148	$2,148	$1,368	$1,368
40-44	$5,504	$8,004	$3,432	$4,776
60-64	$13,836	$12,708	$8,496	$8,172

Median gross income, family of 4 (MO): $63,900 —$15,975 per person
150% of fed. poverty level, family of 4: $31,800 — $7,950 per person

Sources: http://www.mhip.org; http://www.census.gov/hhes/www/income/4person.html.

Why Low Enrollment? Restrictions on Coverage

- Pre-existing condition exclusions, 3-12 months
- 9-12 month waiting period for maternity
- High cost sharing: deductibles, coinsurance
- Annual and lifetime caps on coverage
- Limits on Rx, mental health, other benefits

Financing Affects How the Pool Operates

- Most rely on premium assessment
- Carriers usually dominate high risk pool boards
- Strong incentive to minimize assessment, rely on premiums
- High risk pools attempt to balance premiums, benefits, outreach, accessibility

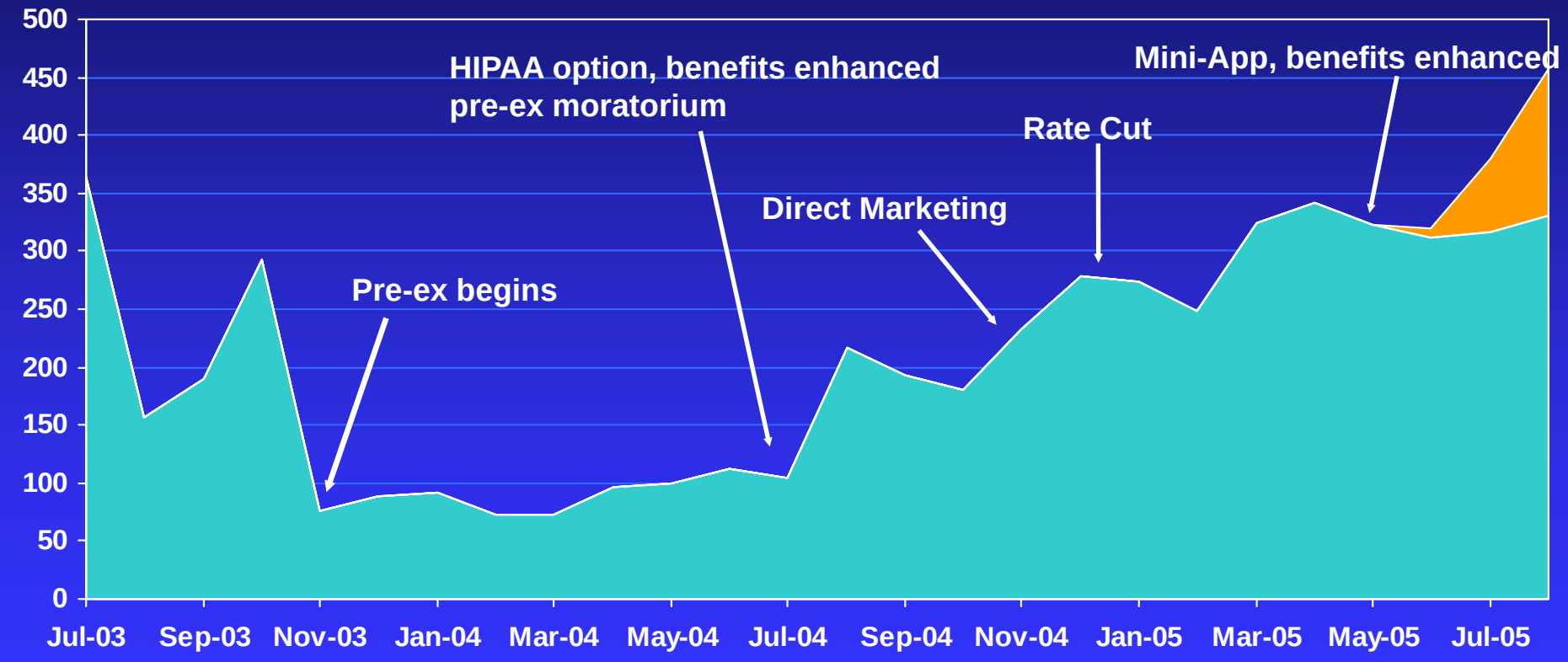
Sources of Financing, Selected States

	Assessments	Premiums	Other
Maryland	65%	27%	8%
Indiana	39%	58%	3%
Oregon	28%	68%	4%
Minnesota	19%	47%	34%
Iowa	0%	49%	51%
West Virginia	0%	89%	11%

Source: National Association of State Comprehensive Health Insurance Plans 2007-2008.

Balancing Premiums, Benefits, Outreach, and Accessibility in Maryland

Maryland (MHIP) New Enrollment



Source: Karen Pollitz, Georgetown Health Policy Center. Presentation to NCSL, April 2008.

How Could High Risk Pools Work Better?

Affordable	▪ Close to 100% of standard premiums and/or premium assistance to cap premiums ▪ Family coverage
Adequate	▪ Short exclusions for pre-existing conditions ▪ Portability from all other coverage ▪ Rx, maternity, and mental health
Accessible	▪ Standard conditions list for underwriting and eligibility ▪ No requirement to take other available coverage ▪ No minimum residency ▪ Automatic referral if denied commercial coverage

What Would It Take?

- Because high risk pools are built on the market:
  - Attention to rating rules for market coverage: health status, age
  - Consistent premium assistance, market and high risk pool
- Broad and stable financing
- Inter-state consistency and reciprocity
- Remove conflict of interest (NAIC Model Act states that the insurance industry should not dominate the high risk pool board.)