



Health Reform:
What Legislators Need to Know

States and High Risk Pools



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1



State High Risk Pools Operating in 35 states today



Nationwide enrollment of 200,358 Dec. 2008

- 1.7% of individual market enrollment
- About 25% of the individuals subject to denied or excluded "adverse underwriting" by private insurers

Health Insurance Coverage of last resort

- Focus only on Individual market (non-employer)
- Uninsurable (pre-existing conditions)

2

State High Risk Pools

Who is included



- Aimed to aid those who are: turned down; exclusion riders; subject to expensive rates.
 - Cancer, including history
 - Diabetes
 - Heart disease
 - MS
 - Depression
 - HIV
 - Pregnancy
 - Others
- HIPAA eligible (19 states) group-to-individual coverage
- HCTC eligible (23 states) - health tax credit for early retirees

3

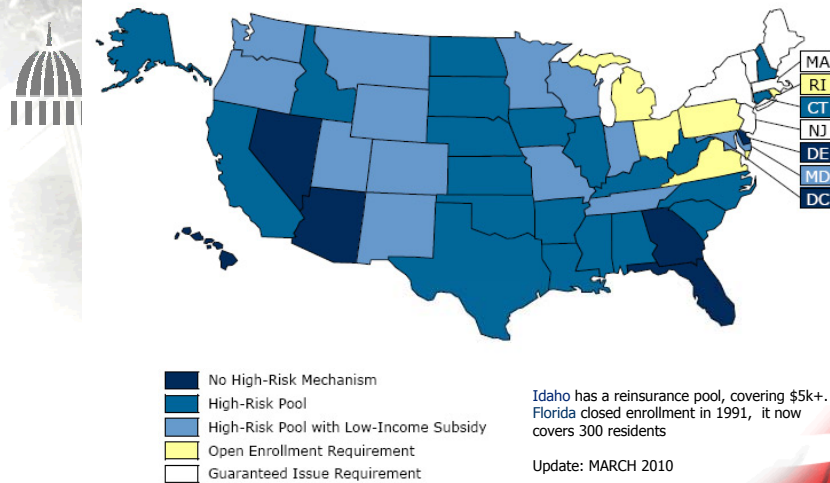
Started in 1976



- Primarily state funded
 - \$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)
 - HHS/CMS federal grants = \$74 million for 2009

4

State High Risk Pools Currently Operational 2009-2010



5

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.

6



Challenges for existing state programs



■ Availability

- Enrollment cap (IL, CA, FL)
- Minimum residency in some
- Eligibility for other coverage = disqualified
- No "eligible conditions list" (1/2 states)
- No dependent coverage
- Non-continuous enrollment

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

7



Affordability



- Premium surcharges above standard rates (maximum of 200% in 14 states; 150-175% in 15 states; 125% in 2 states)
- Large initial premium payment required
- Partial premium subsidy for low-income
- Mid-year premium increases possible

8

Adequacy



■ Pre-existing condition waiting periods

no exclusion	2 states	6 months	16 states
2 months	1	9 months	1
3 months	4	12 months	8

■ Substantial 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

9

Compatibility



- 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 transfer from state to federally-funded.
- Will state-only funds be needed?

10

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 in

- **Colorado**
- **Illinois**

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

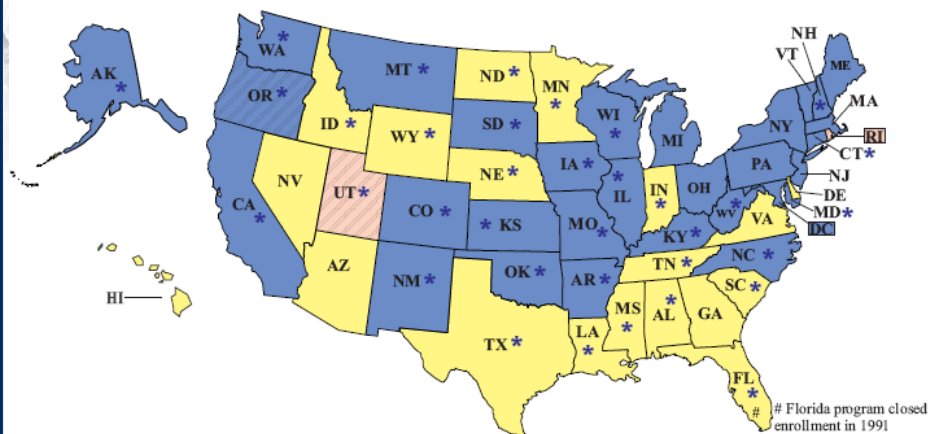
Generally bad timing for states - only 12 states in by June 1

Status as of May 12, 2010

11

Old Pools and New Pools:

High Risk Pools: State Implementation, Federal Roles



- State chose to run its own federally-funded high risk pool
- State chose to have HHS run federally-funded high risk pool (July 2010-Dec '13)
- State has raised questions, delayed decision
- * State currently runs its own state high risk pool, 2009-2010

Source: NCSL from states, NASCHIP and HHS. Updated 5/13/2010- Announced intentions may be subject to change

12



Varied Responses by states, 1



- **NEW YORK:** "We welcome this opportunity to help some of our most vulnerable uninsured New Yorkers and we will work with the federal government to implement this program as quickly as possible."

-Gov. David Patterson, New York

- **GEORGIA:** [The high-risk pool is] "the first step in the recently enacted federal takeover of the United States health care system."

- John W. Oxendine, GA Insurance Commissioner

13



Varied Responses by States, 2



- **MONTANA:** [State run] "The one issue that's been at the top of people's minds is the high-risk pool." At least 400 people would be covered for 3 ½ yrs. "It will be a finite and limited number of people."

- Montana State Auditor Monica Lindeen 4/26/10

- **RHODE ISLAND** [Undecided] "The state's finances are sufficiently precarious that it cannot entertain the possibility of assuming any financial responsibility ... in the event of the withdrawal of federal funds or lack of adequate funding."

- Governor Carcieri's Insurance Comm. Christopher Koller , 5/1/10

14

Varied Responses by states, 3



- NEBRASKA "We are very concerned that funding will not be sufficient." - Gov. Dave Heineman
- "OHIO will need the help, support and flexibility of HHS to get the program up and running." We will modify Ohio's existing Open Enrollment program.
- Gov. Strickland's Insurance Director, Mary Jo Hudson, 4/30/10

15

State Example

COVERCOLORADO
Because Everyone Needs Health Insurance.



Welcome to CoverColorado



Seniors with a d

ELIGIBILITY

HEALTH PLANS OVERVIEW

MEMBER SERVICES

HEALTH & WELLNESS

FORMS

RESOURCES

GET A QUOTE

REQUEST INFORMATION

APPLY NOW

EDIT APPLICATION

COB PLAN

CoverColorado provides health insurance to individuals with pre-existing medical conditions.

If you have been denied health insurance due to a pre-existing medical condition, or have exhausted your COBRA benefits, we may be able to help. While CoverColorado is not a low income plan, this may be your best option if you are unable to obtain coverage elsewhere and can afford it.

CoverColorado also offers a Coordination of Benefits (COB) plan to those disabled individuals under age 65 who cannot purchase Medicare supplement policies outside the open enrollment period.

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Enrolled: 8,573 [Dec. 2008]
Program funding: \$72.3 mil.

Claims: \$60 mil.; Admin: \$5.3 mil.

Premiums: \$33 mil.; Ave. premium: 140% of "standard"
52% over age 50; 8% under 18

16

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>