

Health Care Reform:

Temporary Federal High Risk Insurance Pool Program

On March 23, 2010, President Obama signed the health care reform bill into law. The passage of health reform will extend health insurance coverage to many uninsured persons living with HIV/AIDS, but a majority of these insurance opportunities will not exist until 2014 when the Medicaid expansion and insurance exchange implementation take effect. To offer help prior to 2014 to individuals who cannot obtain coverage due to a pre-existing condition, a temporary national high risk insurance pool is being established this summer. The health reform bill provides \$5 billion to support the program until 2014. The new high risk insurance pool could provide a cost-effective opportunity to secure medical and prescription drug coverage for uninsured individuals with HIV/AIDS until the coverage expansion takes place in 2014.

What is a high risk pool?

High risk health insurance pools are programs created to provide insurance options for "medically uninsurable" individuals. These are people who have been denied health insurance coverage because of a pre-existing health condition, or who can only get private coverage that has strict limitations or extremely high rates.

Today 35 states operate high risk insurance pools. Eligibility and coverage vary from state to state, but risk pools generally offer benefits that are comparable to the basic private plans available in that state with certain limitations. Some states have annual or lifetime caps on the amount of coverage that you are eligible to receive and some states limit the number of months that you are eligible for coverage through the risk pool. Many state high risk pools have high cost sharing requirements that can be prohibitive to persons with limited income.

When will coverage begin?

The Secretary of Health and Human Services (HHS) is required to establish a federal high risk pool by July 1, 2010. The program ends on January 1, 2014 when the Medicaid expansion and insurance exchanges are implemented. While funding will become available in July, it will likely take several months for the programs to be up and running.

Who is eligible for coverage under the new federal high risk pool?

While additional details are expected to be forthcoming, current bill language specifies the following eligibility criteria:

- Must have a pre-existing health condition, as determined by guidance from HHS;
- Must be a US Citizen or be lawfully present in the US;
- Have been uninsured or without creditable coverage for 6 months prior to the date you apply for risk pool coverage. Creditable coverage is defined in Section 2701 (c) (1) of the Public Health Service Act as coverage under a group health plan, Medicaid, Medicare, health insurance coverage, medical care through the Indian Health Service, state risk pool, or other medical care coverage. Creditable coverage does not include worker's

compensation insurance, automobile medical insurance coverage, vision or dental insurance only, accident coverage, nursing home or long term care.

What qualifies as a pre-existing condition?

For the purposes of the federal high risk insurance pool, HHS determines that you meet the pre-existing condition requirement if one of the following situations applies:

- You have been denied coverage due to a health condition;
- Your insurance coverage has an exclusion rider (a clause that restricts coverage for specific health conditions);
- You have a specific diagnosis that your state has determined makes you automatically eligible for risk pool coverage.

How much will coverage cost?

People enrolled in the federal high risk pool will pay a premium that is similar to what persons with no pre-existing condition are charged on the individual open market in the same state or region.

- Premiums charged under the high risk pool may not exceed 100 percent of the premium for the applicable standard risk rate in the state, and may vary by no more than 4:1 due to age (charging higher premiums based on age is standard practice for individual insurance plans but the current variance in cost can be much more extreme);
- Eligible individuals will pay copayments, co-insurance and deductibles no more than 35% of the cost of covered benefits. In addition, there will be a cap of \$5,950 for an individual and \$11,900 for a family in 2010 (the cap may increase in subsequent years); this cap does not include premium costs.

State and local HIV policy makers should consider using Ryan White funds to pay out-of-pocket costs associated with the risk pool. In most cases, wrapping-around risk pool costs is a cost-effective alternative to paying directly for prescription drugs and medical care.

What type of coverage is available through a risk pool?

Coverage options are very similar to what is available through traditional individual health insurance. It is generally a comprehensive major medical plan with a range of cost-sharing options. The most common risk pool plans are Preferred Provider Organizations (PPOs – you pay less if you go to a provider who is contracted with the plan, more if you go out of plan) or Health Maintenance Organization (HMOs – you are limited to a group of providers who are contracted with the HMO). Most pools offer coverage of prescription drugs, HIV related medical care, and mental health and substance abuse services.

How will the risk pool be administered?

States will be permitted to participate in the program through one of the following options:

- Combine the new federal pool with an existing state risk pool;
- Establish a new pool in states that do not have a risk pool program;
- Build on other state programs designed to cover high risk/uninsurable individuals;
- Contract with a non-profit, Health Insurance Portability and Accountability Act (HIPAA) covered entity to provide coverage;
- Take no action, HHS will provide coverage directly to the state's eligible constituents through a contractor.

On April 2, 2010, HHS sent a letter to each state requesting that states indicate their willingness to work with HHS to administer the national risk pool program.

As of June 8, 2010, 29 states and Washington DC have indicated that they will work with the federal government to set up a new high risk pool in their areas. They include Alaska, Arkansas, California, Colorado, Connecticut, District of Columbia, Illinois, Iowa, Kansas, Kentucky, Maine, Maryland, Massachusetts, Michigan, Missouri, Montana, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Dakota, Vermont, Washington, West Virginia and Wisconsin.

At this time, 19 states, Georgia, Hawaii, Idaho, Indiana, Louisiana, Minnesota, Mississippi, Nebraska, Nevada, North Dakota, South Carolina, Tennessee, Texas, Virginia and Wyoming, have indicated that they will not set up a new high risk program. The federal government will contract to set up a pool for residents in states that choose not to run a program.

Rhode Island and Utah are still undecided.

How will the federal program work in states that have an existing risk pool?

HHS plans to work closely with states to “piggy back” on existing program infrastructure if possible. To be eligible to participate in the federal pool, states must agree to not reduce the amount expended for operating its existing high risk pool in the preceding year. Persons currently enrolled in a state risk pool plan will not be eligible to move into the federal risk pool.

Where will information about the Federal High Risk Pool Program be available?

HHS has established a new department, the Office of Consumer Information and Insurance Oversight (OCIIO) that will be dedicated to implementing many of the insurance related provisions of health care reform including the risk pools. The OCIIO is expected to launch a website that will include information that individuals and small businesses can use to identify affordable insurance options including information about the risk pool. This site is scheduled to be phased in beginning July 1, 2010. (www.hhs.gov/ocii)

Additional Resources

US Department of Health and Human Services (www.hhs.gov)

Kaiser Family Foundation, Health Care Reform Gateway (www.healthreform.kff.org)