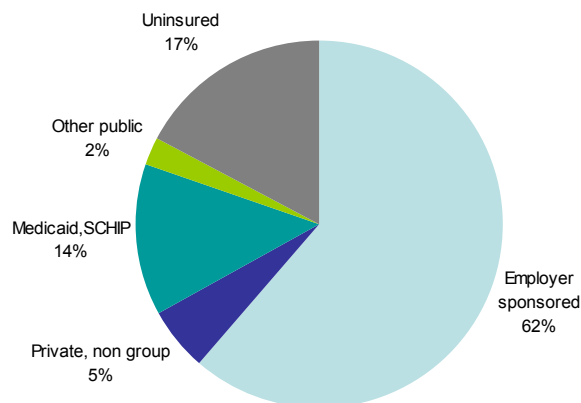


State High-Risk Pools

Presentation by
Karen Pollitz, Research Professor,
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for
National Conference of State Legislatures
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Health Insurance Coverage of People Under the Age of 65



Source: Kaiser Family Foundation, Health Insurance Coverage in America, 2006 Data Update, May 2007

Individual Health Insurance

- Sought by 1 in 4 adults over a 3-year period
- Medically underwritten in most states
- Adverse underwriting action (denial, rider, rate up) automatic or likely for:
 - Cancer or cancer history
 - Diabetes
 - Heart disease
 - Multiple sclerosis
 - Depression
 - HIV
 - Pregnancy
 - Others

High-Risk Pools

- Established by 33 states
- Coverage of last resort for
 - Uninsurable
 - HIPAA eligible
 - HCTC eligible
- Average enrollment of 190,000 in 2006
 - 1.8% of individual market enrollment vs.
 - 25% adverse underwriting rate
- Primarily state funded
 - \$625 million in net costs in 2006
 - Insurer assessment in most states
 - Also hospital assessment, other state financing
 - Federal grant assistance
- Governed by appointed Boards of Directors

American Cancer Society Casework Data

- From July 2006-March 2008
 - 2,154 explored high-risk pool option
 - 57 (2.6%) enrolled
- Barriers related to:
 - Availability
 - Affordability
 - Adequacy

* Activated high-risk pool states as of 3/1/08: AR, CO, CT, IL, IN, IA, MD, MN, MS, MO, MT, NH, NM, TN, TX, UT, WA, WI, WY

Availability

- Eligibility restrictions
 - Enrollment cap (IL, CA)
 - HIPAA only (AL, SD)
 - Previous COBRA election required (TN)
 - Minimum residency
 - Eligibility for other coverage disqualifies
- No “eligible conditions list” (half states)
- No dependent coverage offered
- Non-continuous enrollment

Affordability

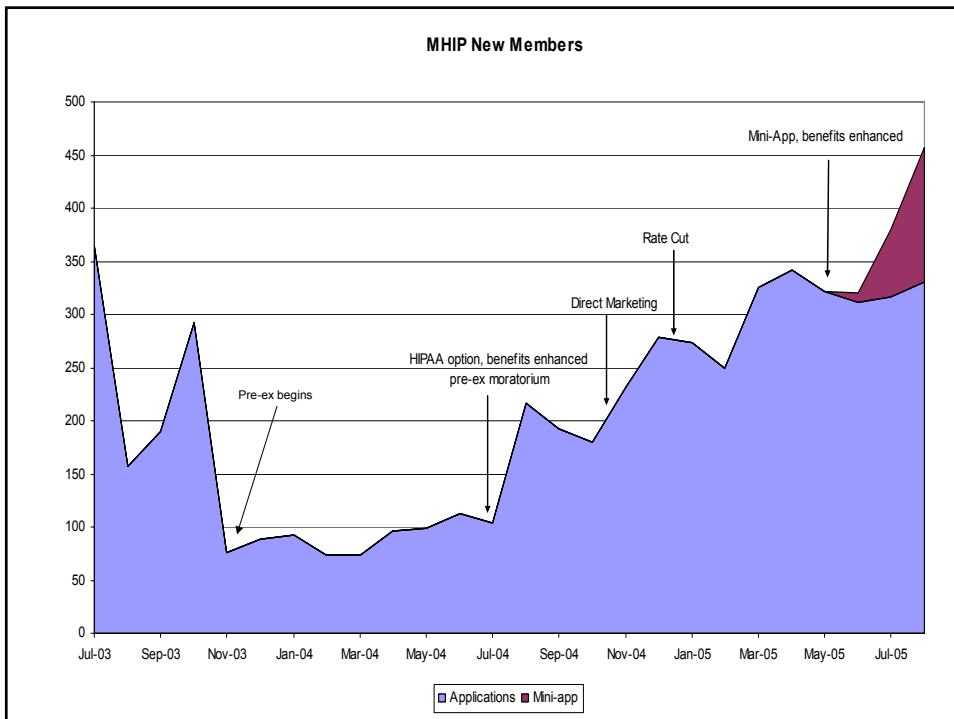
- Premium surcharge above standard rates
- Age rating
- Large initial premium payment required
- Partial premium subsidy for low-income
- Mid-year premium increases

Adequacy

- Pre-existing condition exclusions
- High-cost sharing
 - Annual deductible
 - Coinsurance maximum (OOP)
 - Even modest co-pays add up
 - Cost sharing “ratchet”
- Annual and lifetime cap on coverage
- Limits on Rx, other benefits

Affordability vs. Adequacy?

“High cost option”			“Low cost” option		
Annual premium	Annual cost sharing exposure	Total patient expense	Annual premium	Annual cost sharing exposure	Total patient expense
\$4,800	\$5,000	\$9,800	\$2,400	\$9,000	\$11,400



Federal Grants to State High-Risk Pools

- \$75 million/year
 - \$50 million operations
 - \$25 million “bonus” to benefit consumers
- 31 state grants in 2006
 - Grant \geq 25% of net losses in 10 states
 - Grant \geq \$500 per enrollee in 18 states
 - About half of grant funds pay claims
 - 25 bonus grants

High-Risk Pool Governance

- Insurance industry dominates board of directors in 15 States
- 13 States provide for 2 consumer reps; 6 States provide for one consumer rep
- Other states provide for representative of “general public”
- NAIC model act states board majority should *not* be from industry