

States Implement Health Reform



April 2011

Pre-existing Condition Insurance Phase II: New Rules and Options for High-Risk Pools in 2011

Overview

An estimated 3 million Americans with pre-existing medical conditions lack access to private health insurance. In the absence of laws requiring insurers to provide individual coverage to people with pre-existing conditions, many joined the ranks of the uninsured. These uninsurable people often sought coverage, but were unable to purchase it because they were rejected or because they were offered coverage only at high or unaffordable premium rates. Because of their often complex or costly health conditions, uninsurable people most need health insurance coverage. During the three decades prior to 2010, 35 states implemented high-risk health insurance pools that served slightly more than 200,000 people.

The 2010 Affordable Care Act (ACA) established a temporary, 3.5-year nationwide high-risk pool program to provide health coverage to people with pre-existing medical conditions.¹ The law also provided \$5 billion for allocation across all 50 states and the District of Columbia, to be spent on newly created or expanded programs run by states or by a designated insurer, if states choose those options. By fall 2010, 27 states had chosen to run the programs themselves. Twenty-three states deferred to the federal government to handle the new programs, although these state choices can be subject to change in the next three years.

Key Federal Provisions

Section 1101 of the ACA created the Temporary High Risk Pool Program, now named the Pre-Existing Condition Insurance Plan (PCIP), to quickly make health insurance available to uninsured people with pre-existing conditions, many of whom previously had been denied coverage. Program oversight is provided by the U.S. Department of Health and Human Services (HHS), through the newly created Center for Consumer Information and Insurance Oversight (CCIIO). Eligibility to enroll in the PCIP high-risk pool and receive subsidized premiums is guided by the following provisions.

- Those eligible are U.S. citizens and legal immigrants who have a pre-existing medical condition and who have been uninsured for at least six months.
- Also eligible are those with a pre-existing condition who have been refused coverage for reasons related to their health; have been offered coverage but only with a restriction or "rider" that excludes certain benefits associated with their condition; and have documented medical evidence of the condition.
- Premiums for the pools have been established based on "standard rates for a standard population" by state and may vary by no more than a 4 to 1 ratio due to age.
- The new pools are designed to be administered directly by a state or a nonprofit entity under contract. States cannot reduce their current high-risk pool efforts.
- Current beneficiaries in state high-risk pools can switch to the federal coverage only if they drop out of their state pool and remain uninsured for six months.

HHS has estimated that about 375,000 people may be eligible to sign up for the federally funded high-risk pools.

Premiums in the new federal pool program are intended to be 10 percent to 50 percent lower than current state high-risk pool rates. Copayments and deductibles also are intended to be lower than existing state-only programs.

The federal high-risk pool provision became legally effective June 21, 2010; individual policies were offered for sale in all states by September 2010. The federal program remains in effect until Jan. 1, 2014, when it is to be replaced by policies sold through American Health Benefit Exchanges. The existing 35 state-only high-risk pools continue to operate, using separate, state-specific rules and funding mechanisms; a growing number have sought to integrate educational and marketing materials describing both state and federal segments.

Because the 2010-2011 federally funded programs have more favorable premiums and no pre-existing condition waiting periods, it is anticipated that new applicants will select the PCIP policies rather than the state-only policies.

Program Changes for 2011

As of Feb. 1, 2011, 12,437 people had enrolled in the federally funded PCIP program in the 50 states and the District of Columbia. In contrast, state-only pools had 208,000 members as of Jan. 1, 2010. To encourage wider participation,



beginning in January 2011, enrollees in the federally administered PCIP program can choose among four plan options:

- The Standard Plan now has two separate deductibles—a \$2,000 medical deductible and a \$500 drug deductible; it also offers premiums that are “almost 20% lower” than the 2010 premiums.
- The Extended Plan has a \$1,000 medical deductible and \$250 drug deductible plan, with premiums slightly higher than 2010 premium levels.
- The Health Savings Account (HSA) Option will carry a \$2,500 deductible, but premiums are 16 percent less than in 2010. As with the current plan, this option offers federal tax benefits when used with an HSA.
- Child-only Rates allow families to enroll their eligible children in PCIP at a child-only premium rate for PCIP enrollees from birth to age 18.

Enrollees in the state-administered PCIP programs in 2011 do not automatically have the same choices; premium levels for all programs vary, based on the local market.

State Roles

State legislatures or executive agencies can authorize changes, including state participation and roles of state employees. The PCIP programs in all 50 states are designed to be 100 percent federally funded.

States are central to the PCIP program and are granted flexibility to lead the programs or defer to the federal HHS version. In June 2010, HHS specified five options for states concerning their participation in the temporary high-risk pool program. These include:

1. Operate a new high-risk pool along with a current state high-risk pool;
2. Establish a new high-risk pool (in a state that does not currently have one);

3. Build upon other existing coverage programs designed to cover high-risk individuals;
4. Contract with a HIPAA-designated insurance carrier of last resort or other carrier to provide subsidized coverage for the eligible population; or
5. Do nothing, in which case HHS would administer a coverage program in the state. As of fall 2010, the 23 federally administered programs based in states are run by the U.S. Office of Personnel Management.

In 2010, several states (California, Colorado, Illinois, Louisiana, Maryland and Oregon) revised their statutes to accommodate state programs and/or federally funded PCIPs.

Additional Resources

NCSL online report, Coverage of Uninsurable Pre-existing Conditions: State and Federal High-Risk Pools. Denver, Colo.: NCSL, March 2011; <http://www.ncsl.org/default.aspx?tabid=14329>.

Table 1: State-by-State Summary of State and Federal High-Risk Pools.

Table 2: Pre-Existing Condition Insurance Plan (PCIP): State by State Premiums and Costs, 2011.

Consumers can check program features in their states on an expanded website, <https://www.pcip.gov/>, established by HHS in late 2010.

HHS Fact Sheet. *New Plan Options for Federally Administered Pre-Existing Condition Insurance Plan in 2011*. Washington, D.C.: HHS, Nov. 5, 2010; http://www.healthcare.gov/news/factsheets/new_plan_options_2011.html.

National Association of State Comprehensive Health Insurance Plans (NASCHIP) provides detailed information on the operational state programs; <http://www.naschip.org>.

NASCHIP. 50-State Quick Check Tables: http://naschip.org/portal/index.php?option=com_content&view=article&id=230&Itemid=408.

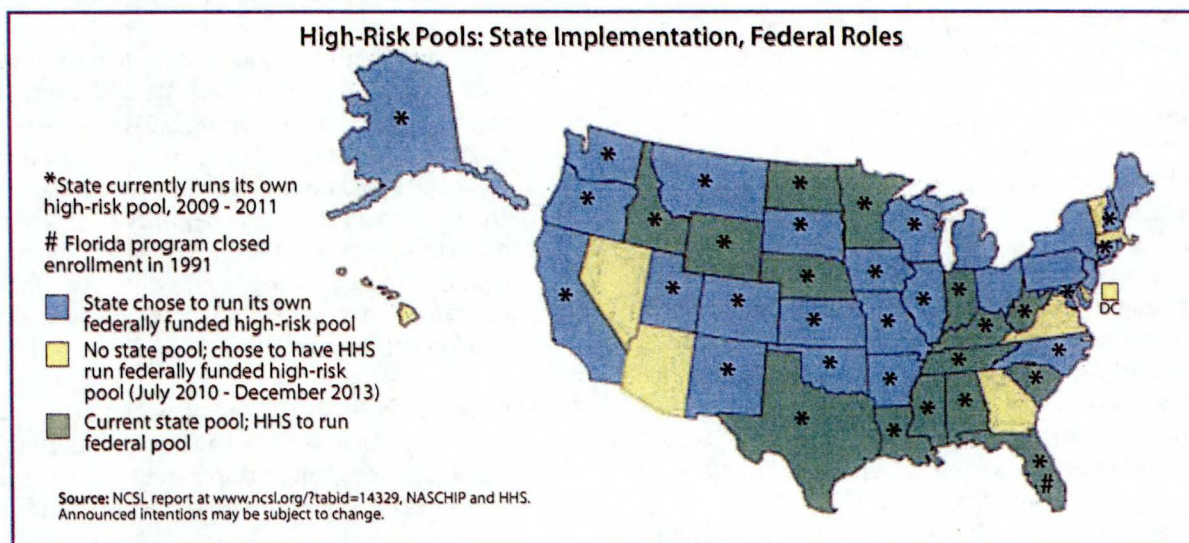
NCSL's federal guidance fact sheet on PCIP online at <http://www.ncsl.org/documents/health/NCSLHRP.pdf>.

Notes

1. The PCIP program is authorized in Section 1101 of the Patient Protection and Affordable Care Act (PPACA), Pub. L. 111-148.

2. National Association of State Comprehensive Health Insurance Plans (NASCHIP). “About High Risk Pools” www.naschip.org.

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Table 1. State-by-State Summary of Federal and State High-Risk Pools

State/ Jurisdiction	FEDERALLY FUNDED PCIP Risk Pools				STATE-FUNDED HIGH-RISK POOLS ¹		
	State Runs Federal Pool? (12/31/2010)	Date Coverage Began (in 2010)	Number Enrolled by 2/1/2011 ^b	Federal Fund Allocation \$ millions (2010-13)	State-Only High-Risk Pool Enrollment (12/31/2009)	Year State Began	Annual Total Expenses \$ millions (2009)
Alabama	NO	8/1	61	\$69	2,416	1998	\$21.5
Alaska	YES	9/1	20	\$13	524	1993	\$12.5
Arizona	NO	8/1	270	\$129	///		
Arkansas	YES	9/1	147	\$46	3,055	1996	\$25.2
California	YES	10/25	706	\$761	6,830	1991	\$60.5
Colorado	YES	9/1	434	\$90	12,000 ^c	1991	\$85.3
Connecticut	YES	9/1	22	\$50	2,177	1976	\$32.8
Delaware	NO	8/1	34	\$13	///		
Florida	NO	8/1	613	\$351	265	1983	\$3.0
Georgia	NO	8/1	399	\$177	///		
Hawaii	NO	8/1	23	\$16	///		
Idaho	NO	8/1	42	\$24	1,424	2001	\$9.7
Illinois	YES	9/1	943	\$196	16,085	1989	\$177.8
Indiana	NO	8/1	131	\$93	6,715	1982	\$118.6
Iowa	YES	9/1	80	\$35	2,991	1987	\$35.1
Kansas	YES	8/1	112	\$36	1,754	1993	\$23.9
Kentucky	NO	8/1	56	\$63	4,535	2001	\$61.0
Louisiana	NO	8/1	92	\$71	1,322	1992	\$12.5
Maine	YES	8/15	13	\$17	///		
Maryland	YES	9/1	145	\$85	17,658	2003	\$157.6
Massachusetts ^a	NO	8/1	0	\$77	///		
Michigan	YES	10/1	89	\$141	///		
Minnesota	NO	8/1	29	\$68	27,187	1976	\$251.2
Mississippi	NO	8/1	58	\$47	3,446	1992	\$29.8
Missouri	YES	8/15	166	\$81	3,613	1991	\$34.4
Montana	YES	8/1	² 181	\$16	2,926	1987	\$27.7
Nebraska	NO	8/1	39	\$23	5,081	1986	\$54.3
Nevada	NO	8/1	125	\$61	///		
New Hampshire	YES	7/1	78	\$20	1,275	2002	\$12.7
New Jersey	YES	8/15	216	\$141	///		
New Mexico	YES	7/15	198	\$37	7,684	1988	\$93.5
New York	YES	10/1	411	\$297	///		
North Carolina	YES	8/1	674	\$145	2,365	2009	\$10.2
North Dakota	NO	8/1	5	\$8	1,422	1982	\$13.9
Ohio	YES	10/1	726	\$152	///		
Oklahoma	YES	9/1	190	\$60	1,896	1996	\$24.8
Oregon	YES	8/1	483	\$66	14,517	1990	\$162.6
Pennsylvania	YES	9/1	2046	\$160	///		
Rhode Island	YES	9/1	85	\$13	///		
South Carolina	NO	8/1	242	\$74	2,255	1990	\$28.1
South Dakota	YES	7/15	62	\$11	653	2003	\$6.3
Tennessee	NO	8/1	171	\$97	3,785	2007	\$43.2
Texas	NO	8/1	1007	\$493	26,556	1998	\$286.2



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Utah	YES	9/1	117	\$40	3,924	1991	\$30.3
Vermont ^a	NO	9/1	0	\$8	///		
Virginia	NO	8/1	204	\$113	///		
Washington	YES	9/1	139	\$102	3,618	1988	\$71.1
West Virginia	NO	9/1	15	\$27	734	2005	\$3.9
Wisconsin	YES	8/1	307	\$73	16,458	1981	\$147.3
Wyoming	NO	8/1	49	\$8	732	1991	\$9.0
District of Columbia	NO	10/1	10	\$9	///		
Nationwide	Yes = 27		TOTAL = 12,437	\$5,000	208,317		\$2,177.9

Notes

a. Massachusetts and Vermont are health insurance "guaranteed issue" states that already require coverage of pre-existing conditions and have implemented many of the broader market reforms included in the Affordable Care Act that take effect federally in 2014.

b. Enrollment for state-administered federal programs was updated Dec. 31, 2010.

c. Colorado enrollment updated December 2010.

Source: National Conference of State Legislatures, 2011.

