

HIGH-RISK HEALTH INSURANCE POOLS

A Policy Brief by the Center for State Innovation

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DISCUSSION

For individuals deemed uninsurable by the private insurance market, insurance is often unavailable, and what is available is of low quality and high cost.

Estimates from the Heartland Institute show that approximately 1 percent of the US population is “uninsurable” because of pre-existing health conditions, such as diabetes, AIDS, or other serious chronic health conditions. This population is usually ineligible for public health care programs such as Medicaid (because of their income) and does not have insurance available from their employer.

One way in which states have attempted to insure this population is through state run high-risk pools. While these plans were created to increase accessibility, they are also characterized by high premiums, high deductibles, onerous coinsurance requirements, and restrictions on the coverage of pre-existing conditions. One study conducted by the Commonwealth Fund estimated that high-risk pools enroll only 8 percent of the population that is eligible for such coverage.

To make high-risk pools a viable insurance product, states need to invest the funding necessary to create affordable premiums with minimum coinsurance and deductible provisions. This can be achieved by broadening the funding base of the program and by attaching high-risk pools to other state insurance pools, such as state employee health plans. This will spread risk and lower costs.

To make high-risk pools a viable public policy option the financial burden placed on participants must be lowered. Most state high-risk pools set premium rates at between 150 percent and 200 percent of the private market rate. A paper published in the Health Care Financing Review reports that if rates were decreased to 125 percent, participation would increase by as much as 33 percent.

States should seek to bring high-risk pool premiums closer in line with the general private market rate and minimize other cost sharing mechanisms (deductibles, co-pays, etc.). This will make these plans a viable option for more individuals.

COSTS

All states operate their high-risk pools at a loss. Statistics published by the Kaiser Family Foundation found that the proportion of costs actually accounted for by premiums ranges from 97 percent in Iowa to 22 percent in New Mexico. Nevertheless, the Commonwealth Fund finds that the costs of participation scare off all but 8 percent of the target population according.

States have a number of options for increasing the size of their funding base to accommodate a greater fiscal commitment to high-risk pools. Currently most states use a combination of premiums, general funds and assessments on insurance providers to fund their high-risk pools. Federal ERISA restrictions prohibit states from assessing taxes on self-insured employers which make up as much as 50 percent of insured workers in some states, according to Families USA.

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However, there are several ways of assessing fees on this portion of the market. Kentucky and Wisconsin assess high-risk pool fees on the reinsurers (See text box) that self-insuring employers use to limit risk, and other states charge health care providers a fee based on the self-insured share of the market.

In addition to broadening the revenue base for high-risk pools, states may also be able to lower the overall costs of these plans by attaching their high-risk pool to lower risk plans like the state's employee health plan. The resultant pool would be lower risk and thus lower cost for high-risk pool enrollees.

While the cost of insuring the uninsurable population will likely remain high, these options can soften the cost of making these plans more accessible.

Reinsurance

"Reinsurance is insurance for insurance companies. It's a way of transferring or "ceding" some of the financial risk ... to another insurance company, the reinsurer. Reinsurance, a highly complex global business, accounts for about 7 percent of the U.S. property/casualty insurance industry premiums... As an industry, reinsurance is less highly regulated than insurance for individual consumers because the purchasers of reinsurance, mostly primary insurance companies... are considered sophisticated buyers."

-Insurance Information Institute

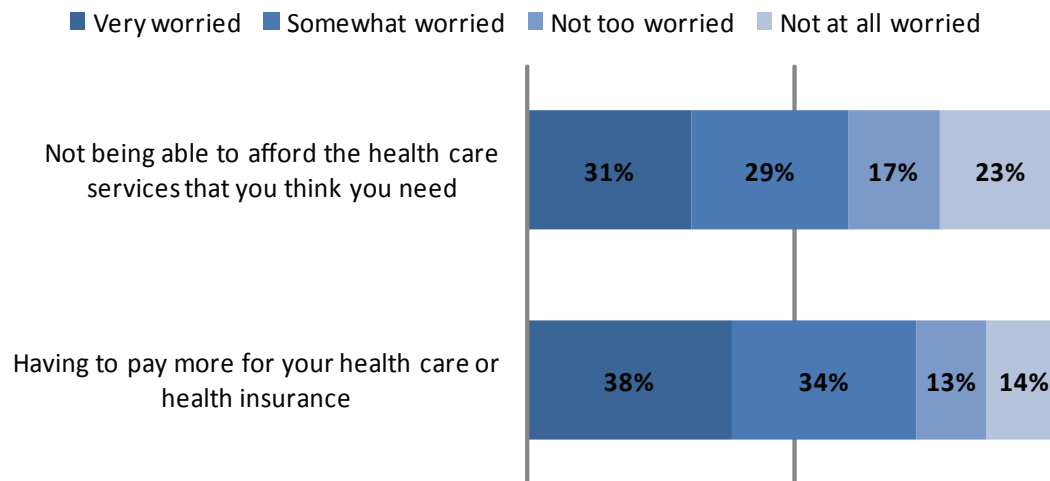
PUBLIC PERCEPTION

Americans are worried about the cost of health care and a vast majority of them believe that the government should intervene to make it more accessible.

There is no polling specifically on high-risk pools. But it is well established that anxiety about the cost of health care is not limited to the uninsured. According to a 2008 Kaiser Health Security Watch poll, 72 percent of US citizens are worried about their ability to keep up with the cost of health care. Sixty percent are worried that they will not be able to afford the health coverage they need (See chart). Obviously, the cost of health care is an increasing financial and emotional burden in American life. This reality is even worse for the uninsurable, who have the highest premium costs in the nation and often face impediments that do not allow them to earn a full-time income.

The US public also agrees by a wide majority, that providing health care coverage to all Americans is something the government can and should do. In a 2008 Quinnipiac University poll, 93 percent said that the number of uninsured in this nation is a serious issue. A poll from ABC News and the Washington Post found 61 percent of voters think it's the government's responsibility to provide this care. A NPR, Kaiser Family Foundation, and Harvard School of Public Health poll found 66 percent believe providing universal coverage is more important than holding down taxes.

CHART

Concerns about Health Insurance**How worried are you about each of the following things?**

Source: Kaiser Health Security Watch

TALKING POINTS***Wouldn't the existence of an affordable High-Risk Pool policy deter people from purchasing health care before they get sick?***

No. In fact, most participants in high-risk pools are not individuals who waited until they were sick to sign up for care. The majority of high-risk pool policy holders actually lost employer sponsored health insurance when they were laid off or left their job. These individuals are eligible for care through the Health Insurance Portability and Accountability Act (HIPAA), which guarantees access to coverage for individuals who lose their employer sponsored care and make a good faith effort to find other coverage. The majority of participants in the program will continue to be HIPAA eligibles who have lost access to health care despite their own responsible health care choices.

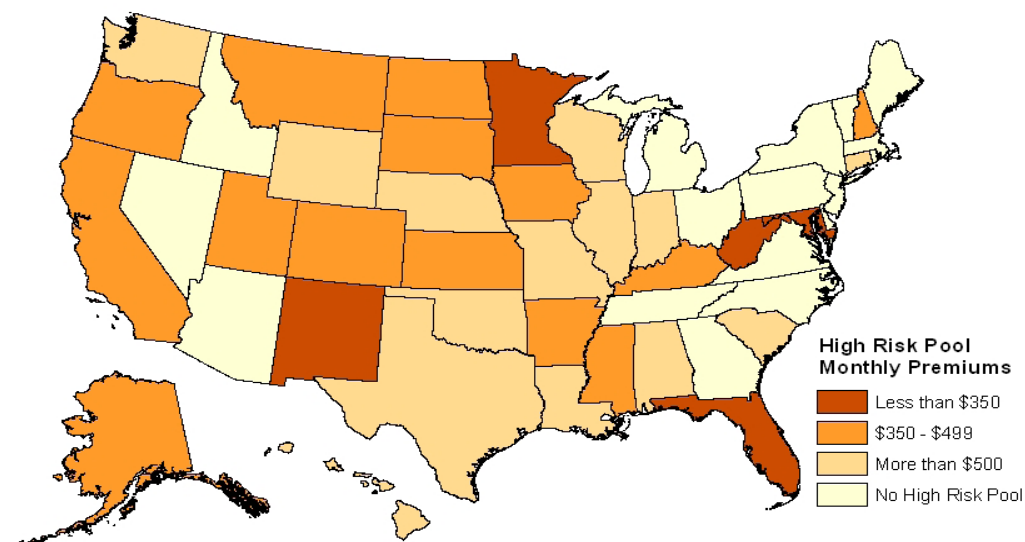
Won't the cost of a more generous High-Risk Pool system increase taxes?

Revenues for high-risk pool systems usually come from dedicated funding sources that do not directly affect most taxpayers. States can use a number of other options to increase these revenue streams. For instance, Wisconsin and Kentucky have expanded their high-risk pool assessment to reinsurers of self-insured employers, and other states use a provider surcharge to capture the revenues they are unable to garner from self-insured employers. State general funds need not be affected by any expansion of high-risk pool programs.

WHO ELSE IS DOING IT?

While the majority of states have some form of high-risk health insurance pools, state plans vary greatly in regards to access and affordability.

- Five states have high-risk pool premiums for less than \$350 (Florida, Maryland, Minnesota, New Mexico, West Virginia).
- Fourteen states have high-risk pool premiums between \$350-\$499 (Alaska, Arkansas, California, Colorado, Iowa, Kansas, Kentucky, Mississippi, Montana, New Hampshire, North Dakota, Oregon, South Dakota, Utah).
- Fourteen states have high-risk pool premiums priced above \$500 (Alabama, Connecticut, Hawaii, Illinois, Indiana, Louisiana, Missouri, Nebraska, Oklahoma, South Carolina, Texas, Washington, Wisconsin, Wyoming).



SPOTLIGHT ON INNOVATION

The Minnesota Comprehensive Health Association (MCHA) plan organized under Minnesota Statutes Chapter 317 is the most successful high-risk pool plan in the nation. MCHA covers more people than any plan in the nation and is one of only two plans in the nation that covers more than half of its “uninsurable” population. MCHA achieves this broad coverage by maintaining relatively low premium rates, between 101% and 125% percent of private market plans, and by offering presumptive eligibility for individuals with conditions that are typically deemed uninsurable.

WHAT CAN YOU DO?

Governors can encourage outreach and require that individuals are notified of the availability of high-risk pool coverage when consulting state social services workers, health care workers, community health centers, or insurance agents. Finally, Governors may have the authority to implement “presumptive eligibility” for individuals with diseases such as diabetes and AIDS that normally preclude obtaining insurance in the individual private market.

Nevertheless, the primary means of making high-risk pools more accessible is lowering the cost of obtaining these policies. Through the legislative process, Governor’s can work to lower premiums, increase premium assistance, and expand the resources available to subsidize high-risk pools.

To fully fund a more generous high-risk pool system, states can follow the lead of Wisconsin and Kentucky and expand their fee assessments to reinsurers, or other states that have instituted provider surcharges. Both of these options capture revenue lost due to the fact that self-insuring firms are exempt from fee assessments under federal law.

RESOURCES

Policy Reports

The Commonwealth Fund

- Federal Aid to State High-Risk Pools: Promoting Health Insurance Coverage or Providing Fiscal Relief.”
http://www.commonwealthfund.org/usr_doc/Pollitz_highriskpools_875.pdf?section=4039
- “Insuring the Uninsurable: An Overview of State High-Risk Health Insurance Pools.”
http://www.commonwealthfund.org/usr_doc/achman_uninsurable_472.pdf?section=4039

Families USA

- “High-Risk Health Insurance Pool.”
<http://www.familiesusa.org/assets/pdfs/High-Risk-Pools-May-2006.pdf>

Health Care Financing Review

- “High-Risk Pools for Uninsurable Individuals: Recent Growth, Future Prospects.”
<http://www.cms.hhs.gov/HealthCareFinancingReview/downloads/O4-05Winterpg73.pdf>

The Heartland Institute

- Extending Affordable Health Insurance to the Uninsurable”
http://www.heartland.org/custom/semod_policybot/pdf/9439.pdf

Polls

Henry J. Kaiser Family Foundation

- October 2008 Kaiser Health Security Watch
<http://www.kff.org/healthpollreport/CurrentEdition/security/upload/HSW1008.pdf>

NPR, Kaiser Family Foundation, and Harvard School of Public Health

- “The Public on Requiring Individuals to Have Health Insurance”
<http://www.npr.org/programs/morning/features/2008/feb/insurance/summary.pdf>

Quinnipiac University

- 2008 Quinnipiac University Poll
<http://www.quinnipiac.edu/x1295.xml?ReleaseID=1228>

Washington Post

- ABC News and the Washington Post
http://www.washingtonpost.com/wp-srv/politics/documents/postpoll_061608.html

State Legislation

Kentucky

Kentucky Legislature

- Chapter 304.17B
<http://www.lrc.state.ky.us/KRS/304-17B/CHAPTER.HTM>

Minnesota

Minnesota Comprehensive Health Association (MCHA)

- Chapter 317
<https://www.revisor.leg.state.mn.us/statutes/?id=317A>

Wisconsin

Wisconsin Legislature

- Chapter 149
<http://www.legis.state.wi.us/statutes/Stat0149.pdf>