

## **RSC Info Alert: HHS Announces Information on High Risk Pools and Web Portals Yet is Silent on the Tanning Tax**

### **Tanning Tax**

In a not so surprising move, the Administration has thus far been silent about the 10% tanning tax going into effect today.

- The National Federation of Independent Businesses (NFIB), International Franchise Association (IFA), and Indoor Tanning Association (ITA) have [pointed out in](#) that despite a **\$2.7 billion** tax increase on small businesses and individuals (making under \$250,000) there have been **zero** postcards alerting consumers or business owners to this new tax.
- These groups estimate that the tax would hit nearly 19,000 “mom and pop” businesses and disproportionately impact women and college students.
- The ITA, Americans for Tax Reform, National Taxpayers Union and DeFundIt.org have [called for a repeal](#) of the new 10% tax on indoor tanning services as “This tax will add yet another burden on tanning salons at a time when they can least afford it, forcing many salons to close, lay off employees, stop providing health insurance for employees, and pass on higher costs to our customers while many of their incomes have dramatically declined.”

### **Web Portal**

Late last night the Obama Administration’s [HealthCare.gov](#) web portal went live. The website is similar in some aspects to portals proposed in several Republican health care reform bills.

### **Highlights:**

- The portal will list private insurance products for individuals and small groups as well as links to Medicare, SCHIP and the new high-risk pools the Administration has titled “Pre-Existing Condition Insurance Plans” (PCIPs).
- HHS has decided that in the first version of the website (in effect until October) it will not *initially* include data on insurance plans not open for enrollment known as “closed blocks” despite their earlier insistence that insurance companies give them this data.
  - HHS’ demands for a plethora of information, that appears to be unrelated to helping consumers pick coverage options, has caused concern that HHS is going beyond what is called for in PPACA in an effort to further gather and regulate private companies.
- As the Senate Republican Policy Committee pointed out, the portal had over 100 references to “tax” but the only references to tax increases were those included in a PDF of the law itself.

### **High Risk Pools aka “Preexisting Condition Insurance Plan” (PCIP)**

Today marks the second deadline (the first one, June 21, 2010, was missed) for high risk pools to be up and running. Although the federal PCIP is open, the Administration predicts that state based PCIPs will not all be active until the end of the summer. To date, there has been no real information available on how the mandated federal PCIPs will be run.

### **Rules Governing PCIPs:**

- To qualify, an individual must be a U.S. citizen or lawfully present, has been uninsured for six months and “had a problem” getting insurance due to a pre-existing condition.
- The age rating band for the high-risk pools will follow states rule but cannot be more than 4:1.
- Participants will pay premiums that are 100% of standard individual health insurance premium rates for their state.
- Pools must cover 65% of enrollees’ costs (actuarial value).
- Out-of-pocket expenses will be capped in 2010 at \$5,950 for individuals and \$11,900 for families with annual rate increases not greater than the high deductible health plan maximum out-of-pocket rate. However, the Secretary may modify such limit if necessary to ensure the pool meets the actuarial value limit.

### **Federal PCIPs:**

While little information is available on the details of the federal PCIPs, the Administration has stated that for applications submitted by July 15, individuals should be able to obtain coverage by August 1, 2010.

Despite the fact that the federal pools are “open for business” according to Richard Popper, the Deputy Director of OCIIO's insurance programs office charged with overseeing several provisions of PPACA, the premiums are expected to cost between \$140 and \$900 per month.

If the premiums are already expected to be this high, some might wonder what will happen once the pools run out of money, as CBO and CMS have predicted will occur? Will HHS cap enrollment? Raise premiums even higher? Expect the states to pick up the slack due to political pressure?

### **Program Funding and Costs:**

The CMS Office of the Actuary has estimated that the \$5 billion in funding for the new high risk pool due to strict rating rules, among other items, will run out by 2012 – two years before insurance companies are required to cover everyone regardless of pre-existing conditions and Exchanges are up and running.

- CMS OACT has found that either the federal government will have to spend even more money, require the states to pay the tab, or substantially raise premiums for those enrolled.
- CMS’ Office of the Actuary’s prediction that the money will run out can be found [here](#).

Just Last week, CBO released a [letter](#) to Sen. Enzi regarding the inadequate funding levels for the high-risk pools created under PPACA.

- CBO found that the \$5 billion in funding would run out before 2014 causing HHS to cap coverage to a mere 200,000 out of a potential [7 million](#) applicants. The White House has

even [estimated](#) that 12 million individuals “were denied coverage directly or indirectly through high premiums due to a pre-existing condition.”

- CBO found that in order to adequately cover individuals between now and 2014 an additional \$5-\$10 billion in funding would be required.

### **29 States and DC Choose to Opt-In and Operate Their Own:**

- |                         |                    |                      |
|-------------------------|--------------------|----------------------|
| 1. Alaska               | 11. Maryland       | 21. Oklahoma         |
| 2. Arkansas             | 12. Michigan       | 22. Oregon           |
| 3. California           | 13. Missouri       | 23. Pennsylvania     |
| 4. Colorado             | 14. Montana        | 24. Rhode Island     |
| 5. Connecticut          | 15. New Hampshire  | 25. South Dakota     |
| 6. District of Columbia | 16. New Jersey     | 26. Utah             |
| 7. Illinois             | 17. New Mexico     | 27. Vermont          |
| 8. Iowa                 | 18. New York       | 28. Washington State |
| 9. Kansas               | 19. North Carolina | 29. West Virginia    |
| 10. Maine               | 20. Ohio           | 30. Wisconsin        |

### **21 States Chose to Opt-Out and Thus Leave HHS to Operate Them:**

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|-------------|-------------------|--------------------|
| 1. Alabama  | 8. Indiana        | 15. Nevada         |
| 2. Arizona  | 9. Kentucky       | 16. North Dakota   |
| 3. Delaware | 10. Louisiana     | 17. South Carolina |
| 4. Florida  | 11. Massachusetts | 18. Tennessee      |
| 5. Georgia  | 12. Minnesota     | 19. Texas          |
| 6. Hawaii   | 13. Mississippi   | 20. Virginia       |
| 7. Idaho    | 14. Nebraska      | 21. Wyoming        |

### **Other Information:**

- Funding allocations for each state PCIP can be found [here](#).
- Applications for PCIPs can be found at [PCIP.gov](http://www.pcip.gov).
- Information on State PCIPs can be found at <http://www.pcip.gov/StatePlans.html>.