Affordable Coverage for Uninsured Americans with Pre-Existing Conditions

Overview

A new temporary high risk pool program was included in the historic new health reform law to help provide affordable health insurance coverage to people who are uninsured because of pre-existing conditions until health insurance exchanges are implemented in 2014. In 45 states across the country, insurance companies can discriminate against people based on their pre-existing conditions when they try to purchase health insurance directly from insurance companies in the individual insurance market. Insurers can deny them coverage, charge higher premiums, and/or refuse to cover that particular medical condition. A recent national survey estimated that 12.6 million non-elderly adults – 36 percent of those who tried to purchase health insurance directly from an insurance company in the individual insurance market – were in fact discriminated against because of a pre-existing condition from 2004 to 2007.

States may choose whether and how they participate in the program, which is funded entirely by the Federal government. If states choose not to run the program, individuals can apply for insurance from national high risk pool – which will begin on July 1, 2010.

Eligibility

In order to receive insurance through the temporary high risk pool program, an individual must meet the criteria established in the law. Eligible individuals must:

- Be a citizen or national of the United States or lawfully present in the United States;
- Not have been covered under creditable coverage (as defined in Section 2701(c)(1) of the Public Health Service Act) for the previous 6 months before applying for coverage; and
- Have a pre-existing condition, as determined in a manner consistent with guidance issued by the Secretary.

Premiums

Premiums in the high risk pool will be affordable for participants to ensure that those who have been locked out of the insurance market have access to high-quality insurance. Premiums must be set so that they:

- Equal a standard rate for a standard population (that is, not exceed 100 percent of the standard non-group rate); and
- Do not vary by age by more than 4 to 1.

High Risk Pools and States

The Administration is committed to providing states with the opportunity to implement the temporary high risk pool program in a manner that best serves their residents. There are different avenues for states to carry out the statutory requirements for a high risk pool program. A state could consider the following options:

- Operate a new high risk pool alongside a current state high risk pool;
- Establish a new high risk pool (in a state that does not currently have a high risk pool);
- Build upon other existing coverage programs designed to cover high risk individuals;

- Contract with a current HIPAA carrier of last resort or other carrier, to provide subsidized coverage for the eligible population; or
- Do nothing, in which case HHS would carry out a coverage program in the state.

Implementation

In early April, the Department of Health and Human Services asked states to declare how they intend to participate in the program by April 30, 2010. We anticipate that many states will choose to participate in a national program over a state-run high risk pool program. For some states it will be more efficient for HHS to operate the high-risk pool program, while others may want to build on existing plans or establish a new plan. A national high risk pool program will be available beginning on July 1, 2010. Regardless of whether or how a state participates, all Americans who meet the eligibility criteria will have the opportunity to join a high risk pool program.

Funding

The law appropriates $5 billion of federal funds to support the new temporary high risk pool program. It will be available beginning on July 1, the start of many state fiscal years, until the program ends on January 1, 2014. The program is funded entirely by the federal government.

The Department of Health and Human Services has proposed allocating funds for the program by using a formula very similar to what was used for the Children's Health Insurance Program (CHIP). Specifically, funds would be allotted to states using a combination of factors including nonelderly population, nonelderly uninsured, and geographic cost as a guide. This combination of factors has been refined over time in the CHIP context, and the CHIP formula has broad Federal and State support. The allotment is a ceiling for spending in a State with a contract for the high risk pool program. The specific spending from the allotment for each State will be determined through the contracting process based on the State-specific enrollment and spending projections that will be submitted in State applications.

As under CHIP, HHS intends to reallocate allotments after a period of not more than 2 years, based on an assessment of state actual enrollment and expenditure experiences. This proposed reallocation aims to ensure that the capped amount of Federal funding is allocated to states based on both the initial formula and performance. A list of proposed preliminary allocations by state for the four year period is included below.

The attached table presents the estimated state allotments based on the above methodology.

Potential Allocation of High-Risk Pool Funds

Dollars in Millions*

State	Funds
Alabama	69
Alaska	13
Arizona	129
Arkansas	46
California	761

Colorado	90
Connecticut	50
Delaware	13
Dist of Columbia	9
Florida	351
Georgia	177
Hawaii	16
Idaho	24
Illinois	196
Indiana	93
Iowa	35
Kansas	36
Kentucky	63
Louisiana	71
Maine	17
Maryland	85
Massachusetts	77
Michigan	141
Minnesota	68
Mississippi	47
Missouri	81
Montana	16
Nebraska	23
Nevada	61
New Hampshire	20
New Jersey	141
New Mexico	37
New York	297
North Carolina	145
North Dakota	8
Ohio	152
Oklahoma	60
Oregon	66
Pennsylvania	160
Rhode Island	13
South Carolina	74
South Dakota	11
Tennessee	97
Texas	493
Utah	40
Vermont	8
Virginia	113
Washington	102
West Virginia	27
Wisconsin	73
Wyoming	8

United States	**5 Billion**

* Preliminary: Final allotments may be subject to minor changes
Data sources: ACS State Population 2008; BLS Wage Data 2008.