



## The Federal High-Risk Pool

A guarantee that people with pre-existing medical conditions could obtain affordable health insurance was among the top promises of federal health reform included in the Patient Protection and Affordable Care Act of 2010. To achieve this, the Act included the creation of the **Pre-existing Condition Insurance Program (PCIP)**. Through the PCIP, temporary high-risk health insurance pools are to operate in all 50 states. These high-risk insurance pools are for individuals who are medically uninsurable due to a pre-existing condition, disability or illness that exists prior to their enrollment in a health plan. The PCIP is designed to act as a temporary, stop-gap measure to quickly provide coverage until insurance can be obtained on January 1, 2014 through a Health Insurance Benefit Exchange without regard to pre-existing conditions.

Congress initially provided \$5 billion to fund the program through 2013. The Congressional Budget Office (CBO) estimates that approximately 200,000 individuals could enroll in the program during the 2011-2013 period. If enrollment exceeds that projection, the CBO has indicated the initial funding level would likely be exhausted. President Obama recently asked Congress to allot an additional \$55 million for the program.

Under the requirement for the temporary PCIP pools, states were given the option of running their own programs, joining one run by the federal government, or running a combination of state and federal high-risk pools.

### Feds to Manage Texas PCIP Pool

Citing concerns about the uncertainty of the guidelines and adequacy of funding to run the pools, Texas was one of 21 states that declined to operate their own PCIP pool, instead deferring to a federally run option. This response led the federal government to establish its pool in Texas and to begin accepting applications on July 1, 2010, with coverage taking effect August 1, 2010. According to the Department of Health and Human Services, as of mid-July 2010, 29 states and the District of Columbia had chosen to operate their own federally mandated pools or designate a HIPAA insurance carrier to do it for them.

### Qualifying for the Federal PCIP

To qualify for the temporary PCIP 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 six months before applying for coverage; and
- Have a pre-existing condition, as determined in a manner consistent with guidance issued by the Secretary of Health and Human Services.<sup>1</sup>

The PCIP Insurance Plan is designed to cover a broad range of benefits, including primary and specialty care, hospital care and prescription drugs. The plan will not use income to determine eligibility and will not charge a higher premium based on a pre-existing condition. Participants will pay a premium that is not more than the standard individual health insurance premium in their state for insurance that covers major medical and prescription drug expenses with some cost-sharing. According to the PCIP Website (<https://www.pcip.gov/>), monthly premiums for Texans in the federal program will range from \$343 (up to age 34) to \$688 (55+). Out-of-pocket costs (not including premiums) are limited to \$5,950 for individuals and \$11,900 for families.

## Slow Start for PCIP Enrollment

Overall, the PCIP appears to be off to a slow start, with anecdotal evidence suggesting few consumers are enrolling in the new federally funded risk pool.

Federal officials won't provide enrollment figures, saying several large states have yet to get going, but news from states that have reported figures suggests low participation. California, which has money for about 20,000 people, has received fewer than 450 applications. To date, approximately 400 people have enrolled in Texas. In Wisconsin, fewer than 300 applications for 8,000 spots have been received, and Montana had received just 49 applications for an estimated 600 to 700 spots.<sup>2</sup>

Early reviews of the program have included suggestions to increase the number of deductible plan options available; to provide for a plan with a lower pharmacy deductible; to allow for less formal documentation of insurer rejection; to compensate agents who assist PCIP applicants; to provide for more frequent coverage effective dates; to include a certification statement to ensure applicants have not been encouraged to disenroll from employer-based coverage; and to provide for funding to increase awareness of the new coverage opportunity.

## Texas Health Insurance Risk Pool

In addition to the new federal risk pool, a number of states already operate their own high-risk pool. Texas is one of 35 states that do so. The Texas Health Insurance Pool (THIP), originally created in 1989 as the Texas Health Insurance Risk Pool, was first funded by the Legislature in 1997. Today the THIP serves approximately 27,000 enrollees.

Premiums for the THIP are based on the deductible plan chosen, age, gender, tobacco use status and zip code. The THIP's premiums are generally more expensive than those for the federal pool, and, unlike the PCIP, the Texas pool includes a pre-existing condition waiting period. The THIP does offer more plan choices and provides better access to prescription drugs than the federal pool.

In 2009, the THIP paid approximately \$273 million in medical and pharmacy benefits. Pool benefits are funded by member premiums and assessments on health insurance companies operating in the state. In 2009, member premiums provided funding for approximately 68 percent of the benefits paid, with health insurer assessments contributing roughly \$80 million. The assessments on insurers to fund the pool have increased roughly 1300 percent since funding for the pool began.

The THIP recently announced a new subsidy program for low income pool members. The program was proposed by the Texas Association of Health Plans and was created through the adoption of HB 2064 (Smithee/Averitt) during the Regular Session of the 81<sup>st</sup> Texas Legislature. Under the new law, penalty payments owed by health insurers to hospitals and providers are redirected to the pool to provide premium assistance to low income THIP members. The new initiative will provide an average \$300 monthly premium subsidy for a year to approximately 2200 Texas pool members when it becomes effective on January 1, 2011.

## Two Options

Based on available funding for the federal PCIP, medically uninsurable Texans will have access to two high-risk pools until state Health Insurance Exchanges become available in January 2014.

For members of the Texas pool to become eligible for coverage under the federal PCIP, they would need to exit the Texas pool and remain without creditable coverage for six months – a risk most are unwilling to take.

1 Fact Sheet – Temporary High Risk Pool, [www.hhs.gov/ocio/initiative/hi\\_risk\\_pool\\_facts.html](http://www.hhs.gov/ocio/initiative/hi_risk_pool_facts.html)

2 Montana numbers: <http://www.lifeandhealthinsurancenews.com/News/2010/7/Pages/PPACA-Montana-Posts-PCIP-Application-Count.aspx>. Other state numbers: <http://www.latimes.com/health/hk-preexisting-condition-insurance-slow,0,1314729.story>



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