



EXPLAINING HEALTH REFORM: Questions About the Temporary High-Risk Pool

The Patient and Protection Affordable Care Act, signed by President Obama on March 23, 2010, creates a temporary national high-risk pool to provide health coverage to people with pre-existing medical conditions who have been uninsured for six months. This high-risk pool, officially known as the Pre-existing Condition Insurance Plan, is being implemented relatively quickly and will provide temporary coverage until the broader coverage provisions take effect in January 2014. The health reform law establishes basic requirements for the high-risk pool program (Table 1). States can operate their own high-risk pool or have the federal government carry out the program. The federal government will begin accepting applications for enrollment in their high-risk pool on July 1, 2010, with coverage beginning on August 1, 2010. Twenty-one states have asked the federal government to run their high-risk pool. This summary provides responses to basic questions regarding the temporary high-risk pool.

Table 1. High-Risk Pool Provisions under the Health Reform Law

	Health Reform Law
Eligibility	Individuals who have a pre-existing medical condition and have not had creditable coverage for the previous six months.
Benefits	The Secretary of HHS will determine the minimum benefits that must be included and plans must cover at least 65% of health care costs.
Premiums and Cost-Sharing	Set premiums as if for a standard population and not for a population with a higher health risk. Allow premiums to vary by age (4:1), geographic area, and family composition. Limit out-of-pocket spending to \$5,950 for individuals and \$11,900 for families, excluding premiums.
Funding	\$5 billion

BASIC QUESTIONS

Who is eligible for coverage through the temporary high-risk pool?

U.S. citizens and legal residents who have a pre-existing medical condition and have not had creditable health coverage for the previous six months are eligible for coverage.

What benefits will high-risk pool enrollees receive?

The high-risk pools will cover a range of benefits, including primary and specialty care, hospital care and prescription drugs. The health plans will be required to cover pre-existing medical conditions upon enrollment. The high-risk pool programs must cover at least 65% of the health care costs for a standard population.

How much will high-risk pool health coverage cost?

The premium cost for high-risk pool coverage will be established for a standard population in the non-group market and will not be based on the health status of enrollees. Premiums will be allowed to vary by age (by a 4 to 1 ratio), geographic area, and family composition. Premiums for the high-risk pool operated by the federal government will be available on July 15, 2010. Yearly out-of-pocket costs will be limited to \$5,950 for individuals and \$11,900 for families, excluding premiums.

How will the high-risk pool be funded and administered?

The health reform law allocates \$5 billion to administer the national high-risk pool. This funding will go toward health care claims and administrative costs that exceed the premiums collected for the high-risk pool.

On April 2, 2010, U.S. Department of Health and Human Services Secretary Kathleen Sebelius issued a letter that gives states the following options for operating the temporary high-risk pool: (1) Operate a new high-risk pool alongside an existing state high-risk pool; (2) Establish a new high-risk pool if the state does not currently have one; (3) Build upon other existing coverage programs designed to cover high-risk individuals; (4) Contract with current HIPAA insurance carriers or insurers of last resort to provide subsidized coverage; or (5) Do nothing, in which case the U.S. Department of Health and Human Services would carry out the coverage program in the state.

When does the high-risk pool go into effect?

The federal high-risk pool will begin taking applications on July 1, 2010 and coverage will begin on August 1, 2010. States operating their own high-risk pools will also aim to begin coverage relatively soon, but may not all meet the August 1 date for coverage. The high-risk pools will terminate on January 1, 2014 when the state-based American Health Benefit Exchanges are established and other insurance market reforms go into effect, providing new coverage options for people with pre-existing health conditions.

Given that this is a temporary form of coverage, what happens to people when the high-risk pool terminates in 2014?

When the temporary national high-risk pool terminates on January 1, 2014, high-risk pool enrollees will transition into receiving health coverage through the state-based American Health Benefit Exchanges. Procedures will be developed to ensure that there are no lapses in coverage. Individuals without employer health coverage and small businesses with up to 100 employees will be able to purchase coverage through the Exchanges. Premium and cost-sharing subsidies will be available for individuals with incomes between \$14,404 – \$57,616 and for families of four with incomes between \$29,327 – \$88,200. People will also be able to choose to purchase coverage in the individual market. As of 2014, insurers will not be able to deny people coverage or charge higher premiums based on health status.

How many high-risk pools currently exist in the United States and what will happen to enrollees?

Currently, 34 states operate high-risk pools that provide health coverage to nearly 200,000 individuals. State high-risk pools share a common structure and some similarities but differ by state in many ways including eligibility, benefit design, pre-existing condition exclusions, premium costs and cost-sharing, and administration, among other areas.

People who currently obtain health coverage through a state high-risk pool will maintain their current coverage. In 2014, these individuals will likely transition into the state-based American Health Benefit Exchanges. Given that the Exchanges would prohibit people from being denied coverage or charged more based on health status and would limit cost-sharing, current state high-risk pool enrollees may receive more affordable coverage in the Exchanges than they currently have in the high-risk pool.

For more information about the Patient Protection and Affordable Care Act, see the summary of the new health reform law at <http://www.kff.org/healthreform/8061.cfm>. For more information about current state high-risk pools see "State High-Risk Pools: An Overview" at <http://www.kff.org/uninsured/8041.cfm>. For more information about Secretary Sebelius' April 2nd letter see: <http://www.dhhs.gov/news/press/2010pres/04/20100402b.html>.

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