



The Iowa Policy Project

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POLICY BRIEF

Health Reform: Reaching More with High-Risk Pool

By Andrew Cannon

Though the major provisions of the health reform legislation signed by President Obama do not take full effect until 2014, states have plenty of immediate options to help their medically underserved populations.

One of the most important provisions of the law — the Patient Protection and Affordable Care Act (PPACA) — directs the Secretary of Health and Human Services to establish a high-risk pool health insurance program within 90 days of the bill's enactment. The new pool would operate alongside existing high-risk pool programs in 34 states.¹ The new pool, like existing pools, would serve uninsured individuals who do not have access to employer-sponsored health insurance, cannot afford or have been denied insurance coverage on the non-group private market, and have a qualifying medical condition. The temporary high-risk pool created by PPACA would only accept enrollees who have been uninsured for six months or longer.

State governors and insurance commissioners recently learned that they must inform HHS by the end of April 2010 whether they will operate the new high-risk pool alongside an existing one or allow HHS to create the high-risk program.² Iowa has such a program, but it is limited compared with other states' programs in its reach to Iowans who could be helped. The creation of a new high-risk pool could serve thousands of uninsured Iowans who cannot obtain insurance on the private market because of a pre-existing condition.

HIPIowa: Iowa's State-High Risk Pool

The first state high-risk pools were created in 1976.³ Iowa followed with its high-risk pool program in 1987.⁴ Now known as the Health Insurance Plan of Iowa (HIPIowa), Iowa's high-risk pool serves 2,732 state residents.⁵

Employer-sponsored health insurance is generally more affordable than insurance purchased on the non-group private market because it spreads the risk of medical costs across many more people.⁶ When an individual purchases insurance directly from the insurer, the insurer may increase the premium based on the individual's medical history, sex and tobacco use. If an individual has a pre-existing medical condition, coverage may exclude that condition, or coverage may be denied altogether.

Further, public health insurance programs such as Medicaid have limited eligibility standards. In Iowa, only children and parents whose income is less than 72 percent of the federal poverty level (\$13,183 for a family of three) and those with certain disabilities are eligible for Medicaid.⁷

High-risk pools such as HIPIowa are designed to help individuals who do not have health insurance through work, do not qualify for Medicaid, and cannot afford or qualify for individual coverage because of a pre-existing medical condition. Certain medical conditions, such as AIDS or kidney failure, automatically qualify an Iowa resident for HIPIowa.⁸

Premiums in high-risk plans typically cost more than employer-sponsored insurance or insurance found on the non-group private market, but provide more comprehensive coverage, especially for those with pre-existing conditions, than plans on the non-group private market. HIPIowa's premiums are about half-again as expensive as the standard rate for plans sold on the individual, private market.⁹ A 50-year-old non-smoking male would pay \$523 a month for a HIPIowa policy with a \$1,000 deductible.¹⁰

With a HIPIowa policy, out-of-pocket spending on deductibles and coinsurance is capped at \$2,500 for single adults and \$5,000 for families within the \$1,000 deductible plan,¹¹ so the state pays for a large portion of the medical expenses of the sickest Iowans. HIPIowa, like most other state high-risk pools, is financed through a combination of enrollee premiums, taxes on insurers, federal grants and other sources. HIPIowa's premiums are not enough to finance the program alone. Without the other funding sources, HIPIowa would operate at a \$12 million annual deficit.¹²

Premiums in HIPIowa are nowhere near as high as they would be on the private market, but remain prohibitively expensive for many Iowans. Unlike other states with high-risk pools, Iowa has not implemented an income-based premium subsidy for high-risk enrollees. Lacking premium assistance, HIPIowa's enrollment (2,732) has remained low. Minnesota and Wisconsin do offer premium subsidies to low-income enrollees, and subsequently have far higher enrollment (27,386 and 16,284, respectively).¹³ As a result of high premiums, no premium subsidy and little outreach, HIPIowa helps far fewer Iowans than could actually benefit. The Government Accountability Office (GAO) estimated over 34,500 Iowans could be eligible for the program in 2008.¹⁴ As thousands of Iowans have lost their jobs and job-based health insurance since 2008, even more Iowans could now be eligible.

The PPACA High-Risk Pool in Iowa

Under health reform, Iowans now served by HIPIowa will eventually have greater opportunities to purchase affordable health insurance. Insurers will no longer be permitted to exclude covering a pre-existing condition and deny coverage to individuals. Exchanges will spread risk across thousands of Iowans who do not receive health insurance through an employer. And premium assistance will be available on a sliding scale for people earning less than 400 percent of the federal poverty level (\$73,420 for a family of three).¹⁵

Until then, however, PPACA will expand high-risk pool coverage and provide \$5 billion to either new pools operating alongside existing state pools or a new federal pool. Like Iowa's existing pool, the new high-risk pool will not include any premium subsidies.¹⁶

Unlike the private insurance market, however, there will be no variation in premium by medical condition. Premiums will vary only by geographic area, family composition, tobacco use, and age. Out-of-pocket spending will be capped at \$5,950 for individuals and \$11,900 for families. Only those with pre-existing conditions who have been uninsured for six months or longer will be eligible.¹⁷

The PPACA high-risk pool will have to remain separate from HIPIowa and other states' existing high-risk pools, as funding sources and eligibility standards differ. Despite this potential source of administrative and consumer confusion, the new temporary high-risk pool could benefit thousands of Iowans now uninsured due to a pre-existing condition.

Conclusion

High-risk pools like HIPIowa and the forthcoming temporary high-risk pool under PPACA have serious limitations. Though far lower than what a patient would pay on the non-group private market, premiums still often exceed potential enrollees' ability to pay. Despite the serious limitations of both HIPIowa and high-risk pools more generally, however, they are a valuable stopgap measure until the full implementation of health reform in 2014. Over 34,500 Iowans could be eligible for Iowa's existing high-risk pool or the new one the state may create prior to health reform's implementation. Iowa's participation could open the door to quality insurance coverage for thousands of uninsured Iowans with pre-existing conditions.

¹ The Kaiser Family Foundation (KFF), "Explaining Health Reform: Questions About the Temporary High-Risk Pool," April 2010. <<http://www.kff.org/healthreform/upload/8066.pdf>>.

² David M. Herszenhorn, "Sebelius Begins Push for High-Risk Pools," *New York Times*, Prescriptions Blog, April 5, 2010. <<http://prescriptions.blogs.nytimes.com/2010/04/02/sebelius-begins-push-for-high-risk-pools/>>.

³ KFF, "Issues for Structuring Interim High-Risk Pools," January 2010. <<http://www.kff.org/healthreform/upload/8040.pdf>>.

⁴ KFF State Health Facts, "Iowa: State High Risk Pool Programs and Enrollment, December 2008," Accessed April 26, 2010. <<http://www.statehealthfacts.org/profileind.jsp?ind=602&cat=7&rgn=17>>.

⁵ “Comprehensive Health Insurance for High-Risk Individuals: A State-by-State Analysis: National Association of State Comprehensive Health Insurance Plans,” as cited in Kaiser Family Foundation, “Issues for Structuring Interim High-Risk Pools,” January 2010.

⁶ “How Private Insurance Works: A Primer (2008 Update),” *Kaiser Family Foundation*. April 2008.

<<http://kff.org/insurance/upload/7766.pdf>>.

⁷ The Lewin Group, “Cost and Coverage Impacts of Options for Expanding Health Insurance Coverage in Iowa,” August 13, 2008.

⁸ “Do I Qualify?” Iowa Comprehensive Health Association. Accessed April 16, 2010.

<<http://www.hipiowa.com/qualify.asp>>.

⁹ John E. Dicken, “Health Insurance: enrollment, Benefits, Funding, and Other Characteristics of State High-Risk Health Insurance Pools,” Government Accountability Office (GAO), July 22, 2009. <<http://www.gao.gov/new.items/d09730r.pdf>>.

¹⁰ “2010 Monthly Individual Premium Rates,” Iowa Comprehensive Health Association (HIPIOWA).

<<http://hipiowa.com/docs/Non%20Tobacco%20HIPIOWA%202010%20PPO%20Plan%20Rates.pdf>>.

¹¹ HIPIowa, “Outline of Benefit Plans,” Accessed April 22, 2010.

<<http://www.hipiowa.com/docs/C%20Web%20Link%20and%20APP%20Copy%20BCDFG%20Matrix.pdf>>.

¹² Author’s calculation, based on figures from GAO, op. cit.

¹³ The Kaiser Commission on Medicaid and the Uninsured, “State High-Risk Pools: An Overview.” January 2010.

<<http://www.kff.org/uninsured/upload/8041.pdf>>.

¹⁴ GAO, op. cit.

¹⁵ For a further discussion of the implications of health reform for Iowans, see “Hundreds of Thousands to See Favorable Impacts,” *Iowa Policy Project*. March 25, 2010. <<http://iowapolicyproject.org/100325-HCReform-IA.html>>.

¹⁶ Author’s correspondence with Jennifer Tolbert, Associate Director at the Kaiser Commission on Medicaid and the Uninsured at the Kaiser Family Foundation, April 22, 2010.

¹⁷ KFF, “Explaining Health Reform: Questions About the Temporary High-Risk Pool,” op. cit.

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The Iowa Policy Project

Formed in 2001, the Iowa Policy Project is a nonpartisan, nonprofit organization based in Mount Vernon, with its principal office at 20 E. Market Street, Iowa City, IA 52245. See www.iowapolicyproject.org.