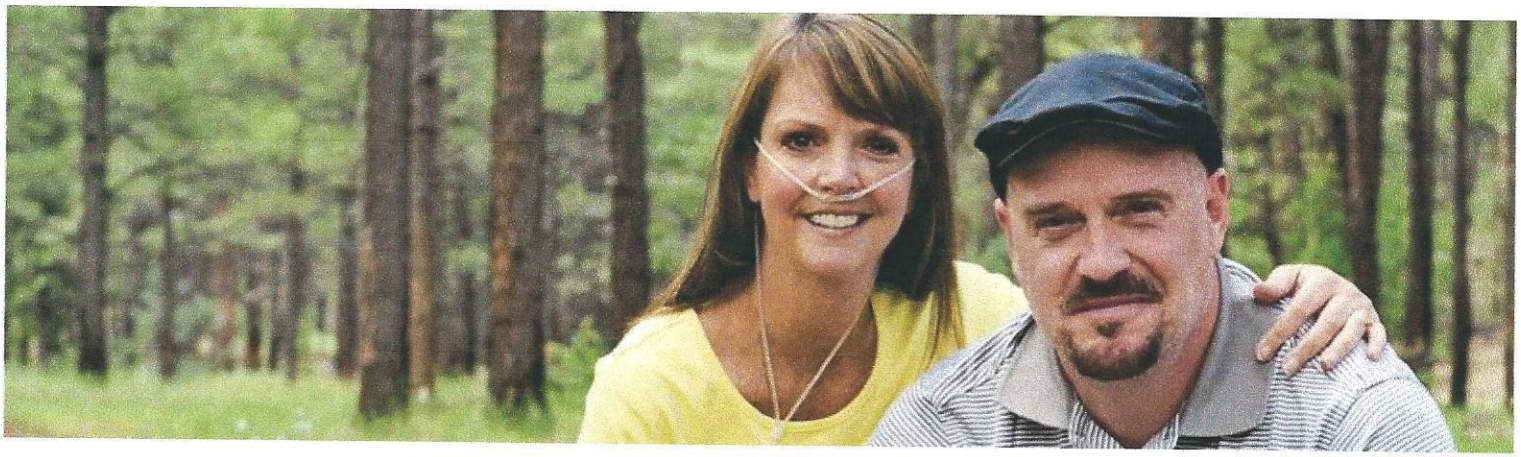


Essential Facts About Health Reform Alternatives: High-Risk Pools

March 24, 2017

Citation

High-Risk Pools, Essential Facts About Health Reform Alternatives, The Commonwealth Fund, March 2017.

What are high-risk pools and how would they work?

Republican health reform proposals commonly seek to provide insurance coverage to people with high-cost medical conditions through high-risk pools. Intended for the "uninsurable" in a future deregulated private market, high-risk pools would compensate for the weakening or elimination of Affordable Care Act (ACA) rules prohibiting insurance plans from discriminating against applicants based on their health status. High-risk pools would be administered by the states and funded by enrollee premiums, state tax revenue, and federal subsidies.

What's the backstory?

People with preexisting conditions have historically faced difficulty obtaining private health coverage and have been costly to insure. The Commonwealth Fund found in 2010 that more than one-third (35%) of adults who had tried to buy a health plan on their own in the previous three years—about 9 million people—had been turned down or charged a higher price because of a health problem or had a medical condition excluded from coverage.[1 (#/#1)]

Between 11.6 million and 19.1 million people with chronic conditions were uninsured prior to 2014, when the ACA's coverage expansions took effect.[2 (#/#2)] To cover this population, 35 states had established high-risk pools by 2011. These programs struggled with high costs and offered only limited coverage. Enrollees paid premiums up to two-and-a-half times larger than those charged to healthy beneficiaries buying coverage on their own and faced deductibles as high as $25,000 and annual coverage limits as low as $75,000.[3 (#/#3)] Nearly all state pools excluded

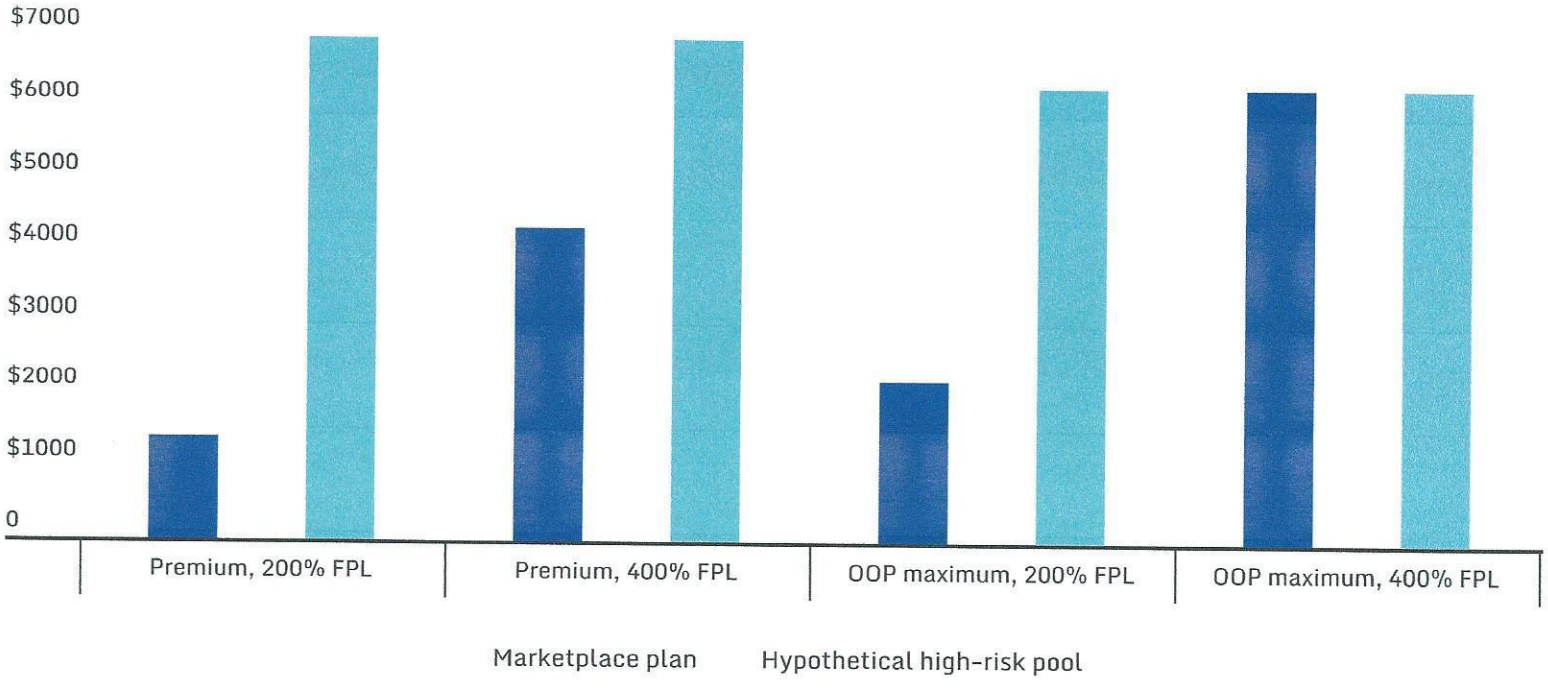
coverage of preexisting conditions for up to 12 months. Even with such limited coverage, premiums covered just over half of each high-risk pool's total costs. In the end, high-risk pool enrollment was less than 226,000—just 0.6 percent of the uninsured population in the 35 states.[4 (#/#4)]

Following the ACA's enactment in 2010, the federal government created a temporary national high-risk pool, the Pre-Existing Condition Insurance Plan (PCIP) program. Its purpose was to cover people with underlying health conditions until the new law's insurance market regulations—including the ban on denying coverage—took effect in 2014.[5 (#/#5)] The program ended up covering only about 130,000 people, fewer than expected.

While premiums for PCIP enrollees were below the state high-risk pool average, they were still high for people with low or moderate incomes—the ones most likely to need such coverage. And because the PCIPs had no waiting periods, enrollees tended to be sicker, and thus more expensive to cover, than prior enrollees in state high-risk pools. Faced with higher-than-anticipated costs and a limited budget, the PCIP program stopped accepting new enrollees in its final year.

Despite this experience, many conservatives see high-risk pools as a replacement for some of the ACA's insurance market regulations. They believe the pools would address the needs of individuals with preexisting conditions while reducing costs for healthier people across the private insurance market.[6 (#/#6)]

Comparing Premium and Out-of-Pocket Costs for Health Coverage in a Marketplace Plan vs. a Hypothetical High-Risk Pool



Notes: FPL = federal poverty level. OOP = out-of-pocket cost. Premium costs based on 50-year-old single person who has reached the out-of-pocket maximum. Costs based on Kaiser Family Foundation health insurance marketplace calculator. Hypothetical high-risk pool uses national standard risk rate based on federally administered PCIP premiums.
J. P. Hall, *Why a National High-Risk Insurance Pool Is Not a Workable Alternative to the Marketplace* (The Commonwealth Fund, Dec. 2014).

How would high-risk pools differ from current policy?

Under the ACA, previously uninsurable adults with preexisting conditions have been able to enroll in private marketplace plans in every state or in Medicaid, for which 31 states and the District of Columbia have expanded eligibility. Insurers are prohibited from denying anyone coverage or charging them higher premiums based on health.

Because of these regulations, people with health issues have significantly better access to private plans than they did before the ACA. Of those people with health problems who had shopped for a plan on their own, the percentage finding it difficult to find an affordable plan fell from 70 percent in 2010 to 42 percent in 2016.[7 (#/#7)] And because everyone is required to have insurance, marketplace enrollees also include plenty of healthy people to balance out higher-risk enrollees.

Some repeal-and-replace plans would concentrate high-risk individuals in separate risk pools, signaling a possible return to the pre-ACA landscape.[8 (#/#8)] The House Republicans' bill would provide $100 billion in federal grants over 2018–2026 for states to implement high-risk pools or other strategies to mitigate insurer risk, such as reinsurance programs.[9 (#/#9)]

How would high-risk pools affect current marketplace enrollees?

Some Americans now covered by an ACA marketplace plan may ultimately have more expensive coverage providing less financial protection. The experience with state-based high-risk pools and the more recent national PCIP program indicates that many current marketplace enrollees would face very high premiums and deductibles.[10 (#/#10)]

How would high-risk pools affect the federal budget?

Because high-risk pools consolidate people with preexisiting conditions into a single program, substantial funding is necessary to provide everyone who enrolls with a reasonable level of coverage. If the 15.4 million uninsured Americans with preexisting conditions in 2014 were covered in a national high-risk pool, the net federal cost to insure them would be $178.1 billion per year.[11 (#/#11)]

Notes

[1] S. R. Collins, M. M. Doty, R. Robertson, and T. Garber, *Help on the Horizon: How the Recession Has Left Millions of Workers Without Health Insurance, and How Health Reform Will Bring Relief (/publications/fund-reports/2011/mar/help-on-the-horizon)* (The Commonwealth Fund, March 2011).

[2] J. P. Hall, *Why a National High-Risk Insurance Pool Is Not a Workable Alternative to the Marketplace (/publications/issue-briefs/2014/dec/national-high-risk-insurance-pool)* (The Commonwealth Fund, Dec. 2014).

[3] J. P. Hall, "Why High-Risk Pools (Still) Won't Work (/publications/blog/2015/feb/why-high-risk-pools-still-will-not-work)," *To the Point,* The Commonwealth Fund, Feb. 10, 2015.

[4] S. R. Collins, *The Affordable Care Act's Pre-Existing Condition Insurance Plan Program: A Critical Bridge to 2014, But Not a Long-Term Solution*

for Universal Coverage (/publications/testimonies/2013/apr/preexisting-condition-insurance-plan-program), invited testimony, Committee on Energy and Commerce, Subcommittee on Health, U.S. House of Representatives hearing on "Protecting America's Sick and Chronically Ill," April 3, 2013.

[5] J. P. Hall, *Why a National High-Risk Insurance Pool Is Not a Workable Alternative to the Marketplace (/publications/issue-briefs/2014/dec/national-high-risk-insurance-pool)* (The Commonwealth Fund, Dec. 2014).

[6] See, for example, D. Morgan, "Ryan Wants to End Obamacare Cost Protections for Sick Consumers (http://www.reuters.com/article/us-usa-health-ryan-idUSKCN0XP00C)," Reuters, Apr. 27, 2016.

[7] S. R. Collins, M. Z. Gunja, M. M. Doty, and S. Beutel, *How the Affordable Care Act Has Improved Americans' Ability to Buy Health Insurance on Their Own (/publications/issue-briefs/2017/feb/how-the-aca-has-improved-ability-to-buy-insurance)* (The Commonwealth Fund, Feb. 2017).

[8] P. Ryan, *A Better Way: Our Vision for a Confident America (http://abetterway.speaker.gov/_assets/pdf/ABetterWay-HealthCare-PolicyPaper.pdf)* (June 22, 2016); and C. Eibner and S. Nowak, *Evaluating the CARE Act: Implications of a Proposal to Repeal and Replace the Affordable Care Act (/publications/fund-reports/2016/may/evaluating-care-act)* (The Commonwealth Fund, May 2016).

[9] T. Jost, "A Look at Republican Intentions? Diving into the Leaked ACA Replacement Bill (http://healthaffairs.org/blog/2017/02/25/a-look-at-republican-intentions-diving-into-the-leaked-aca-replacement-bill/)," *Health Affairs Blog,* Feb. 25, 2017.

[10] J. P. Hall and J. Moore, *Early Implementation of Pre-Existing Condition Insurance Plans: Providing an Interim Safety Net for the Uninsurable (/publications/issue-briefs/2011/jun/early-implementation-preexisting-condition-insurance-plans)* (The Commonwealth Fund, June 2011).

[11] J. P.Hall, *Why a National High-Risk Insurance Pool Is Not a Workable Alternative to the Marketplace (/publications/issue-briefs/2014/dec/national-high-risk-insurance-pool)* (The Commonwealth Fund, Dec. 2014).