

What Does the Temporary National High Risk Pool Mean for North Carolina?

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The Patient Protection and Affordable Care Act (PPACA) was enacted March 23rd, 2010. US Department of Health and Human Services (DHHS) Secretary Kathleen Sebelius is charged with establishing a temporary high risk health insurance program within 90 days after enactment. This national risk pool is intended to serve as a transitional coverage vehicle for individuals with pre-existing conditions who are not otherwise able to find affordable health insurance until full implementation of health reform on January 1, 2014. It is designed to expand on the work of the 35 state high risk pools that currently serve just over 200,000 individuals nationwide.

The North Carolina General Assembly, with the support of the medical, hospital, and insurance broker communities, established the North Carolina Health Insurance Risk Pool in August 2007. The program, also known as Inclusive Health, was the last state high risk pool established prior to enactment of the PPACA. The program started covering eligible state residents on January 1, 2009 and as of June 1st had 3,663 enrollees with pre-existing conditions. They are enrolled in one of four benefit plans, which consist of three PPOs and a High Deductible Health Plan with deductibles ranging from \$1,000 to \$5,000.

Members pay a monthly premium that is capped at 150% of the standard risk rate or the average individual market rate in North Carolina for a person without pre-existing conditions. The State of North Carolina contributes a portion of the increase in insurer premium taxes each year to help subsidize these rates along with an annual payment from the State Health Plan. Thanks to the willingness of almost 25,000 physicians and other health care providers and over 100 hospitals statewide to provide services at Medicare reimbursement rates, Inclusive Health is able to spread these funds even further to enroll and assist this target population.

Following the enactment of health reform, Secretary Sebelius issued a letter to state governors and independent

insurance commissioners, including Governor Perdue and Commissioner Goodwin, asking for an expression of their intent to work with the DHHS on the national pool. She laid out a handful of options for administering the national pool in our state, including running it side by side with the existing state high risk pool. States were asked to submit a Letter of Intent summarizing their response to Secretary Sebelius' letter. The DHHS will directly administer the temporary high risk pool in states that opt not to do it themselves.

Governor Perdue and Commissioner Goodwin have determined that the best of the options proposed by Secretary Sebelius is to ask Inclusive Health to run the national pool in order to build on the successful work of the past 17 months in the state high risk pool. In May, Inclusive Health responded to a solicitation from DHHS that includes the details of how the national pool will be run in North Carolina. Proposals submitted to DHHS by the end of May are eligible for approval with funding by July 1st.

So what does this temporary national high risk pool mean for North Carolina? It should be good news for those who qualify by virtue of having been uninsured for the previous six months. The national risk pool will offer less restrictive coverage at a significantly better price than the state high risk pool currently offers. Monthly premium rates under the national pool will be set at 100% of the standard risk rate, or the average for the North Carolina individual health insurance market, compared to 150% for the state risk pool. National pool applicants will face no pre-existing condition waiting periods.

The six-month uninsured eligibility requirement means that North Carolinians who have maintained coverage are not immediately eligible for the new and improved pool. This crowd-out provision eliminates covered individuals from seeking this insurance option, including HIPAA eligible individuals who have exhausted COBRA coverage as well as the state risk pool's own enrollees. Waiting six months to qualify for the national pool is a risky option for high-risk

Beginning in 2014, an exchange will be established in each state to help consumers make valid comparisons between plans that are certified to have met benchmarks for quality and affordability. The exchanges will also administer the new health insurance subsidies and facilitate enrollment in private health insurance, Medicaid, and the Children's Health Insurance Program (CHIP). Nobody will be required to purchase health insurance through the exchange, though subsidies will only be available for plans sold through the exchange. If you would rather buy your insurance through an insurance agent or broker, you will be free to do so. If not, you will be able to purchase insurance in a matter of minutes on the exchange's website.

Each state will also establish a Small Business Health Options Program (referred to as a "SHOP Exchange") to assist qualified employers in facilitating the enrollment of employees in small group qualified health benefits plans. States may choose to establish a single exchange that performs both individual coverage and SHOP Exchange functions. States may also jointly form regional exchanges or may form multiple subsidiary exchanges if each one serves a distinct geographic area. Exchanges may contract with entities with demonstrated experience in the individual and small group markets and in benefits coverage if the entity is not an insurer, controlled by an insurer, or with the state Medicaid agency.

individuals who have average annual health care costs of \$10,000 or more.

The new pool is genuinely good news for uninsured North Carolinians with pre-existing medical conditions, who have not flocked to the state pool in as large numbers as originally hoped. Historically, only 20% of Inclusive Health state pool members are uninsured at the time they apply to the pool, perhaps owing to the pool's price point that, until May 1st, was 175% of the standard risk rate. Though this is 50% or more below what these members would be paying in the individual commercial market for similar coverage, the average monthly premium of about \$600 for a 50-year-old enrollee is still significant for an uninsured individual.

What the national pool means for North Carolina will come down to how its uninsured target population responds to its availability. Opinions vary on how strong the enrollment uptake will be, with the chief actuary from the Centers for Medicare and Medicaid Services predicting that the \$5 billion in federal funding will be exhausted during 2011. If experience from other states and recent Congressional Budget Office study data hold true, however, there may not be a stampede to enroll. The targeted uninsured population may prove to be a challenging audience to reach and entice

into purchasing coverage, even with these reduced eligibility and price barriers. Inclusive Health expects to undertake a full-scale outreach and marketing effort in collaboration with the medical, hospital, broker, and advocacy community to ensure that no eligible North Carolinian is unaware of this new coverage opportunity.

Whatever the success of this outreach effort, North Carolina will have a \$145 million allocation to work with out of the \$5 billion nationwide budget. This amount is based on a formula patterned after the Children's Health Insurance Program (CHIP). Unused amounts are expected to be reallocated after two years so that states that are successful in exhausting their allocation, as North Carolina did under CHIP, can access other states' unused funds. Preliminary estimates show that North Carolina may be able to afford to enroll about 8,000 individuals.

Inclusive Health looks forward to embarking on this important step in improving the lives and health insurance coverage of North Carolinians with pre-existing conditions who have difficulty finding affordable coverage in the commercial health insurance market.

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Table 1.
Comparison of Risk Pool Characteristics

Feature	Federal PPACA Risk Pool	NC Inclusive Health
Eligibility	Must have been uninsured for six months	- Uninsurable - HIPAA (those exhausting 18 months of COBRA coverage) - Those impacted by trade
Benefits	- No pre-existing conditions - No annual maximums	12-month pre-existing condition waiting period for uninsured (persons without coverage within the last 63 days) - Lifetime maximum of \$1 million - Annual specialty-drug maximum of \$100,000
Rates	100% of the standard risk rate	150% of the standard risk rate

The specifics of each state's exchange are still unknown at the present, but the PPACA does require several provisions that must be included in the state exchanges. First and foremost, the legislation establishes and defines a qualified health plan as being certified by the exchange through which it is offered. A plan must provide the essential benefits package and must be offered by an issuer that is in good standing in the state. The exchange will offer at least one silver and one gold plan (see the list of levels below) and charge the same premium whether the plan is sold by the exchange or outside of the exchange. Qualified health plans also may be called a co-op plan or a multi-state plan and their premiums may vary by rating area.

According to PPACA's provisions, the essential benefits package must cover the following general groups of services:

- Ambulatory patient services
- Emergency services
- Hospitalization
- Maternity and newborn care
- Mental health and substance abuse disorder services, including behavioral health treatment
- Prescription drugs
- Rehabilitative and habilitative services and devices
- Laboratory services
- Preventive and wellness services and chronic disease management
- Pediatric services, including oral and vision care