



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

The Patient Protection and 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 will be implemented 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 that will be implemented ninety days after enactment, on June 21, 2010 (Table 1). On April 2, 2010, U.S. Department of Health and Human Services Secretary Kathleen Sebelius wrote to states to explain the basic requirements of the temporary high-risk pool and to solicit their interest in operating the coverage program. 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, family composition, and tobacco use. Limit out-of-pocket spending to \$5,950 for individuals and \$11,900 for families, excluding premiums.
Funding	\$5 billion
Timeline	Effective 90 days after the bill is enacted (June 21, 2010). Terminates on January 1, 2014 when the American Health Benefit Exchanges are established.

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 Secretary of the U.S. Department of Health and Human Services (HHS) is considering establishing a minimum set of benefits that must be included in the health plans. 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, family composition, and tobacco use. Health plans must cover 65% of health care costs for a standard population and 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. The Secretary's letter asked states to submit a letter of intent regarding which option they will pursue by April 30, 2010.

When does the high-risk pool go into effect?

The temporary national high-risk pool goes into effect in June 2010, ninety days following enactment of the health reform law. The high-risk pool 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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