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Health Care Reform: High Risk Pool and Implications for Arkansas

Overview

Health insurance high risk pools (HRP) are special programs created by state legislatures to provide a safety net for the "medically uninsurable" population. These are people who have been denied health insurance coverage because of a pre-existing health condition, or who can only access private coverage that is restricted or has extremely high rates. High risk pools are designed to serve people who would not otherwise have a reasonable option for purchasing health insurance protection.

The Arkansas General Assembly created the Arkansas Comprehensive Health Insurance Pool (CHIP) in 1995 to provide individual insurance coverage for Arkansas residents with high risk conditions who could not obtain coverage through the individual health insurance market. CHIP began selling coverage on July 28, 1996. The current Arkansas HRP imposes no annual maximum payment for claims and the lifetime benefit is \$1 million dollars. Annual deductible options range from \$1,000 to \$10,000 and the annual coinsurance maximum ranges from \$2,000 to \$20,000 depending on age, gender, smoking status and deductible plan rates. The statutory premium cap is 150 percent of the rate of a standard, non-group policy. For more information about the Arkansas CHIP please go to <http://chiparkansas.org/about/faqs.asp>.

Currently there are approximately 3,000 Arkansas CHIP enrollees. The Government Accounting Office estimates that the number of Arkansans potentially eligible for enrollment in the HRP is more than 61,000. Low enrollment is in large part due to high premium cost.

Pre-Existing Condition Insurance Plan

The Accountable Care Act appropriates \$5 billion of federal funds to support a new temporary high risk pool program also known as the Pre-Existing Condition Insurance Plan (PCIP). PCIP will provide a new health coverage option for those who have been uninsured for at least six months, have a pre-existing condition or have

been denied health coverage because of a health condition, and are a U.S. citizen or legal resident. The new program will cover a broad range of health benefits, including primary and specialty care, hospital care, and prescription drugs. Premiums will not be based on the individual's medical condition, and eligibility will not be based on income. States, including Arkansas, who chose to participate began accepting applications on July 1, 2010, on a first-come-first-served basis. The program will end on January 1, 2014, when the health insurance exchanges are in place offering other options for insurance coverage.

Arkansas's allocation for the program via funding from the U.S. Department of Health and Human Services (HHS) is \$46 million, which will cover 2,500 lives for the next four years. People who currently obtain health coverage through CHIP will maintain their current coverage, since one of the requirements for the government's new HRP coverage is to be without insurance for at least six months.

States had several options to operate the new high-risk pool: to set up the new pool alongside an existing state pool; to set up a state pool if one did not exist already; to build on other existing coverage programs; to contract with a carrier to provide coverage for the affected people; or to do nothing, in which case HHS would carry out the program in that state. There are 35 states that already run a high risk pool. States that will run their own PCIP programs are: Alaska, Arkansas, California, Colorado, Connecticut, Illinois, Iowa, Kansas, Kentucky, Maine, Maryland, Massachusetts, Michigan, Missouri, Montana, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Dakota, Vermont, Washington, West Virginia, and Wisconsin. The District of Columbia will also run its own pool. States that opted to allow HHS to run their PCIP programs are: Alabama, Delaware, Georgia, Hawaii, Idaho, Indiana, Louisiana, Minnesota, Mississippi, Nebraska, Nevada, North Dakota, South Carolina, Tennessee, Texas, Virginia and Wyoming.

Eligibility

In order to receive insurance through the temporary high risk pool program, an individual must meet the criteria established in the law. Eligible individuals must:

- be a citizen or national of the United States or lawfully present in the United States;
- have a pre-existing condition, as determined in a manner consistent with guidance issued by the U.S. Secretary of Health and Human Services;
- not have been covered under creditable coverage for the previous six months before applying for coverage; and have been declined individual health coverage in Arkansas or offered individual health coverage in Arkansas with a rider excluding a preexisting medical condition.

Premiums

The goal of the PCIP premiums is to provide more affordable coverage to ensure that those who have been locked out of the insurance market have access to high-quality insurance.

Premiums vary based on age and whether or not an insured person has used tobacco products within the last 12 months. With a \$1000 deductible, the monthly premium rates will vary from \$156.09 to \$624.32 depending on age and tobacco use. The insured person may pay premiums on a monthly or quarterly basis. The first premium is due with the application for coverage.

How Much Are Premium Payments?

\$1,000 Deductible Plan Rates		
Age Group	Tobacco User	Non-Tobacco User
<30	\$201.80	\$156.08
30-34	\$241.94	\$187.12
35-39	\$286.69	\$221.73
40-44	\$336.99	\$260.64
45-49	\$410.64	\$317.60
50-54	\$510.12	\$394.54
55-59	\$651.39	\$503.80
60-64	\$807.20	\$624.32

Annual Deductible and Coinsurance Limit

The current (2010) annual deductible and coinsurance limits for PCIP plans (per calendar year) are as follows:

Current Annual Deductible	\$1000
Coinsurance Limit:	\$2000

Covered Services and Pre-Certification

Services covered under the Policy include the following, subject to limitations and exclusions included in the Policy:

- In patient hospital care, including standard private room and intensive/coronary care unit
- Miscellaneous hospital Services
- Skilled nursing facility care
- Diagnostic X-ray and laboratory
- Outpatient care
- Surgical services
- Anesthesia services
- Office visits to physicians and other qualified providers
- Wellness care, including annual physical, vaccinations, routine mammography, prostate screenings, pap smears (In-Network providers only)
- Durable medical equipment, supplies and appliances
- Prescription drugs
- Home health care and hospice care
- Diabetes self-management training
- Maternity care

All inpatient admissions (into a hospital or other facility) require precertification and failure to do so may result in a \$500 reduction of benefits.

Maximum Lifetime Benefit

Maximum lifetime benefits under PCIP shall not exceed \$1,000,000 per insured person.

Conclusion

The temporary high risk pool program was created to help provide coverage to people who are uninsured because of pre-existing conditions. The establishment of the temporary new high risk pool program is one of the first tasks in implementing the new health care reform law and will help provide insurance for a portion of Arkansans who have been locked out of the health insurance market. When the temporary high risk pool terminates on January 1, 2014, high risk pool enrollees will transition to receiving health coverage through the state-based American Health Benefit Exchanges. Procedures will be developed to ensure that there are no lapses in coverage.

For more detailed information about the Arkansas PCIP please refer to:

<http://chiparkansas.org/pcip/PCIP%20Outline%20of%20Coverage%20APPROVED%20BY%20DOI%207-28-10.pdf>

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References

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