

New report: The ACA'S PCIP serving as a bridge; High-risk pools not a long-term solution

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The Pre-Existing Condition Insurance Plan, the name for the federal high-risk health insurance pool established by the Affordable Care Act, is serving its purpose as a bridge program, according to a new Commonwealth Fund report. Currently, the Pre-Existing Condition Insurance Plan is providing a coverage option for people with pre-existing health conditions until they are eligible to purchase insurance through the new state exchanges in 2014, with much of their costs subsidized. However, the program's high costs and relatively low enrollment numbers indicate that high-risk pools, which are designed to cover people excluded from the individual insurance market because of a health problem, are not a tenable long-term solution.

Until the exchanges are implemented in 2014 and people can no longer be denied coverage because of their [health history](#), people with pre-existing conditions who are unable to buy coverage have two alternatives for purchasing [health](#) insurance—the federal Pre-Existing Condition Insurance Plan, which is administered either by individual states or the federal government, or a state-based high-risk pool if they live in one of the 35 states that offers them. Launched between July and October 2010, the Pre-Existing Condition Insurance Plan has enrolled almost 78,000 people to date, and nearly 226,000 people are enrolled in state-run high-risk pools, some of which have existed since the 1970s. These pools are necessary because people with pre-existing conditions are often unable to purchase [health insurance](#) on the individual market, as insurers either

charge unaffordable rates, offer plans that don't cover certain health conditions, or deny coverage regardless of ability to pay.

"The health insurance marketplace has failed people with pre-existing conditions for years," said Jean Hall, associate research professor at the University of Kansas and lead author of the new report, [The Affordable Care Act's Pre-Existing Condition Insurance Plan: Enrollment, Costs, and Lessons for Health Reform](#). "Looking at the relatively new federal Pre-Existing Condition Insurance Plan and state-run high-risk pools across the country allows us a diverse view of how these work, and the findings are clear: high-risk pools work as a stop-gap measure, but they are expensive to run, often unaffordable for those who need them, and not a viable long-term solution to the problem of high rates of uninsured Americans."

High-Risk Pool Experiences

The report finds pronounced differences in how each program is structured and in the composition of enrollment. The federal Pre-Existing Condition Insurance Plan is designed to offer immediate coverage to uninsured people with serious health conditions; thus, there is no waiting period for coverage, people can enroll at any time during the year, and premiums do not exceed the current market cost for a healthy individual. In contrast, state-based high-risk pools are somewhat harder to access, as they often have waiting periods and premiums that are as much as 200 percent of the average paid in the local individual market.

Both the federal and state high-risk pools operate at a loss. That is because enrollees are sicker and the premiums paid are not enough to cover their medical costs, requiring significant subsidies to keep the programs running. However, the federal Pre-Existing Condition Insurance Plan appears to be attracting people with higher-cost

conditions, like cancer, resulting in per-member monthly costs that are up to nine times higher than those in state high-risk pools. The report's authors note that the federal Pre-Existing Condition Insurance Plan's continuously open enrollment, together with a provision requiring any enrollee to have been uninsured for at least six months, may have led to a generally sicker pool of enrollees with pent-up, high-cost health care needs.

The report finds that the Pre-Existing Condition Insurance Plan is filling a needed role for older adults on the brink of Medicare eligibility. Rates of enrollment are high among people ages 58 to 62, who are sometimes unable to get health insurance otherwise. Young women with high-risk pregnancies are also enrolling in the program; previously, those pregnancies would have been considered pre-existing conditions by carriers in most individual insurance markets across states.

Still Unaffordable for Many

According to the report, an estimated 11.6 million uninsured Americans meet the criteria for high-risk pools, but enrollment is only a fraction of that, indicating that premiums may be prohibitively expensive. Enrollees in the federal Pre-Existing Condition Insurance Plan pay market rates that are in line with what healthy individuals would be charged to buy individual health insurance plans. However, these rates—ranging from a low of \$222 a month for the high-deductible plan in Virginia, to a high of \$1,215 a month for a plan with a \$1,500 deductible in Alaska for a 50-year-old—are often unaffordable to millions of Americans with pre-existing conditions who may make too much money to qualify for Medicaid, do not have health insurance through an employer or spouse, or are not old enough to qualify for Medicare.

The Pre-Existing Condition [Insurance Plan](#) does not subsidize premiums, and only a few state high-risk pools offer premium support for those

with low incomes. However, once the insurance exchanges are up and running in 2014, premiums will become more affordable, as subsidies will be offered to people with annual family incomes below \$92,200 for a family of four.

"Getting sick should not render you uninsurable, but up until the passage of the Affordable Care Act that is exactly what happened," said Commonwealth Fund President Karen Davis. "High-risk pools, while helping thousands of people as a short-term solution, will not guarantee the affordable and secure health insurance coverage and health care that people with illnesses like cancer desperately need. Starting in 2014, nobody will be denied coverage because of a health problem, and premiums will be affordable for all."

Moving Forward

The [Commonwealth Fund](#) report finds that despite varied approaches to running high-risk pools, the outcomes are essentially the same: enrollment is low, and enrollment costs and plan operation costs are high, demonstrating the limited viability of these pools as a long-term solution. In contrast, the subsidized health plans that will be offered through health insurance exchanges created under the Affordable Care Act, the law's substantial expansion in eligibility for Medicaid, and new rules that prevent insurers from charging people more or limiting or denying coverage based on health will create pools large enough to offset and absorb enrollees' health care costs while also providing comprehensive, affordable, and secure health insurance coverage. "In short, the only way to make insurance affordable for everyone," the authors say, "is to make sure that everyone has insurance."

More information: The report will be available on September 13th, 2012 at: www.commonwealthfund.org/Publications/Insurance-Plan.aspx

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