Temporary Federal High Risk Health Insurance Pool Program

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Summary

This report briefly describes the temporary federal high risk pool (HRP) program, more commonly known as the Pre-Existing Condition Insurance Plan (PCIP) program. The PCIP program was established by the Patient Protection and Affordable Care Act (PPACA, P.L. 111-148, as amended). Under PPACA, the PCIP program is intended to help individuals with preexisting conditions who have been uninsured for six or more months to obtain health insurance coverage before 2014. In 2014, coverage will be available on a guaranteed issue basis and preexisting condition exclusions will be prohibited.

To be a qualified PCIP, the insurance coverage must have an actuarial value (the average percentage of expenses that the plan covers) at least equal to 65% of total allowed costs, and out-of-pocket costs cannot exceed $5,950 for an individual in 2011. The premiums must be established at a standard rate for a standard population, and age rating cannot exceed a factor of 4 to 1. Claims and administrative costs will be subsidized by the federal government.

States can run the program or elect to have the Department of Health and Human Services (HHS) operate the program in their states. Slightly more than half of states (27 states) contracted to operate their own PCIPs. HHS administers the PCIPs in 23 states and the District of Columbia. PPACA appropriates $5 billion of federal funds to support the program, available from July 1, 2010, until the program ends on January 1, 2014. Originally projected to have 200,000 or more enrollees, the PCIPs had 21,454 enrollees as of April 30, 2011. This is a 168.65% increase from the first enrollment statistics released on November 1, 2010.

This report provides an overview of the temporary federal high risk pool program and will be periodically updated to reflect any legislative or regulatory changes.

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Introduction

Since 1975, a growing number of states (35 currently) have implemented high risk pools (HRPs), which offer nonprofit health insurance to individuals who are unable to purchase affordable coverage in the private market because of preexisting conditions.[1] State HRPs often contract with a private health insurance carrier to administer the pool, and plan options can vary significantly both within pools and from state to state.[2] The Government Accountability Office (GAO) estimates that nearly 4 million individuals were eligible in states with HRPs between 2005 and 2007.[3] However, in 2008, only a total of 199,020 individuals (ranging from 300 in Florida to 27,386 in Minnesota) were enrolled in the 34 HRPs in operation during that time.[4] The National Association of State Comprehensive Health Insurance Plans (NASCHIP) believes that the limited funding to subsidize the relatively high premiums charged for HRPs has restrained enrollment in the plans.[5]

The Patient Protection and Affordable Care Act (PPACA, P.L. 111-148, as amended) requires the Secretary of Health and Human Services (hereafter the Secretary) to establish a temporary federal HRP program to provide access to uninsured individual with preexisting conditions. Under PPACA, the federally financed HRP program is intended to help certain individuals with preexisting conditions obtain coverage for the period between June 23, 2010 (functionally the July coverage month) and January 1, 2014.[6]

Temporary Federal High Risk Pool Program

The temporary HRP program, or the Pre-Existing Condition Insurance Plan (PCIP) as it is commonly referred to, is intended to provide transitional coverage for uninsured individuals with preexisting conditions until January 1, 2014, when group health plans and health insurance issuers of group or individual health insurance coverage will be prohibited from having preexisting condition exclusions.[7] Also effective for 2014 is the "guaranteed issue" provision

[1] Lynn Gruber, "How state health insurance pools are helping Americans," National Association of State Comprehensive Health Insurance Plans, January 6, 2009. High risk pools are often called health insurance associations or comprehensive health insurance associations. The Connecticut Health Care Act of 1975 created the first state high risk pool followed by the Minnesota Comprehensive Health Association in 1976.

[2] United States Government Accountability Office, Health Insurance: Enrollment, Benefits, Funding, and Other Characteristics of State High-Risk Health Insurance Pools, July 22, 2009.

[3] Ibid.

[4] Kaiser Family Foundation, *State High Risk Pool Programs and Enrollment*, December 2008. Available at http://www.statehealthfacts.org/comparetable.jsp?ind=602&cat=7. North Carolina established the 35th state high risk pool in 2009. For more background information on state high risk pools, see CRS Report RL31745, *Health Insurance: State High Risk Pools*, by (name redacted).

[5] Lynn R. Gruber, "State high risk pools hold value in the era of health reform," National Association of State Comprehensive Health Insurance Plans Board of Directors, November 15, 2007. The National Association of State Comprehensive Health Insurance Plans (NASCHIP) was created in 1993 to provide educational opportunities and information for state high risk health insurance pools that have been, or are yet to be, established by state governments to serve the medically "uninsurable" population.

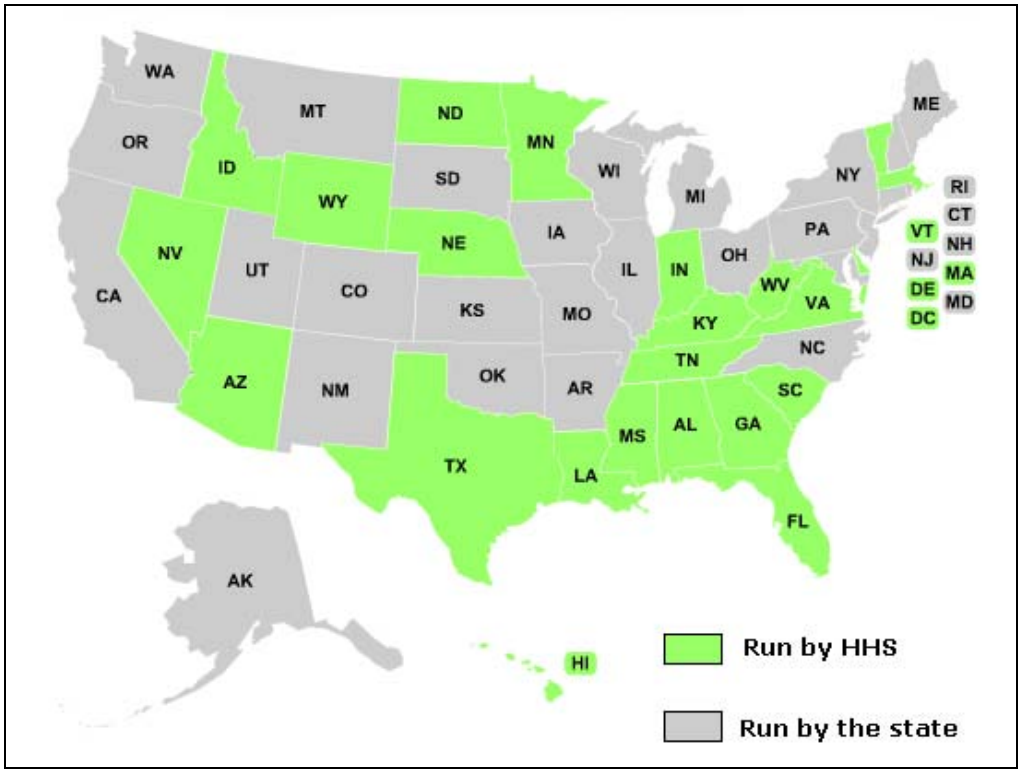
[6] Health plan and insurance enrollments generally are effective on a monthly basis, thus July 1, 2010, would be the actual start date for coverage.

[7] §1201 PPACA: §2704 PHSA. A preexisting condition exclusion means denying benefits for chronic illnesses or injuries, like carpal tunnel syndrome, diabetes, heart disease, and cancer, that an individual had before obtaining the (continued...)

requiring health insurance issuers in the individual or group market to be available to every employer and individual in the state that applies for coverage.[8] Thus, individuals with preexisting conditions should not require a PCIP on or after January 1, 2014, because they will have access to health insurance coverage in the reformed insurance marketplace.

A PCIP can be administered either by a state or by the U.S. Department of Health and Human Services (HHS). The HHS-administered PCIPs are operated by the Government Employees Health Association, Inc. (GEHA), a non-profit insurance carrier.[9] States that administer their own PCIP may use a different name and insurance carrier. For example, North Carolina named their PCIP "Inclusive Health: Federal Option," and the pool is operated by the North Carolina Health Insurance Risk Pool, Inc., a state sponsored non-profit organization.[10] As illustrated in **Figure 1**, slightly more than half of the states (27) have accepted responsibility for administering their own PCIP plan, while 23 states and the District of Columbia (DC) requested that HHS run the program on their behalf. A list of PCIP websites is available in **Table A-1**.

Figure 1. Map of PCIPs Administered by the States or HHS



Source: U.S. Department of Health and Human Services.

(...continued)

current health insurance coverage.

[8] §1201 PPACA: §2702 PHSA. Some states already have guaranteed issue requirements under state law.

[9] Government Employees Health Association, Inc., "Pre-Existing Condition Insurance Plan administered by GEHA: Benefits Summary," July 2010, available at http://www.pciplan.com/forms/pdfs/BenefitsSummary.pdf.

[10] North Carolina Health Insurance Risk Pool, Inc., "Inclusive Health - Federal and State Option," 2010, available at http://www.inclusivehealth.org.

Program Administration

PPACA provides that the Secretary may carry out the federal HRP program directly or through contracts to eligible entities.[11] In order to carry out the program, and other PPACA private health insurance provisions, the Secretary created a new Office of Consumer Information and Insurance Oversight (OCIIO) within the Office of the Secretary (OS).[12] Within OCIIO, the Office of Insurance Programs (OIP) was established to be responsible for administering the temporary high risk pool program and associated funding to states. Richard Popper, who previously directed the state of Maryland's high risk pool, was appointed the director of the OIP.[13] On January 26, 2011, OCIIO was reorganized as the Center for Consumer Information and Insurance Oversight (CCIIO), a component in the Centers for Medicare and Medicaid Services (CMS).[14] Steve Larsen currently serves as the Deputy Administrator and Director of CCIIO, and the OIP is now the Insurance Programs Group, still under the direction of Richard Popper.[15]

Funding for Eligible Entities

To be eligible to contract with the Secretary for the PCIP, an entity must either be a state or nonprofit private organization.[16] For the other 23 states and DC, HHS issued a request for proposals for a PCIP third party administrator on May 25, 2010.[17] HHS chose the Government Employees Health Association, Inc. (GEHA), from the 14 non-profit organizations that expressed interest in the program.[18] GEHA is also currently a Federal Employee Health Benefits Program (FEHBP) carrier.[19]

PPACA appropriated $5 billion to pay claims and the administrative costs of the temporary HRP that are in excess of the amount of premiums collected from enrollees beginning on July 1 2010, until the program ends on January 1, 2014.[20] There has been some concern that the funding amount is inadequate for the program. Richard Foster, the chief actuary of the Centers for Medicare and Medicaid Services, estimates that by 2011 or 2012 the initial funding will be

[11] §1101(b)(1) of PPACA. Eligible entities other than a state must be a non-profit organization.

[12] U.S. Department of Health and Human Services, "Statement of Organization, Functions, and Delegations of Authority," *Federal Register*, Vol. 75, No. 74 , Monday, April 19, 2010.

[13] Julie Appleby, "Appointments of federal watchdogs suggest more tough scrutiny for insurers," *Washington Post*, June 1, 2010, available at http://www.washingtonpost.com/wp-dyn/content/article/2010/05/31/AR2010053102756.html.

[14] 76 *Federal Register* 4703.

[15] CMS, "CMS Leadership, Center for Consumer Information and Insurance Oversight," March 29, 2011, available at http://www.cms.gov/CMSLeadership/36_Office_CCIIO.asp#TopOfPage.

[16] §1101(b)(2) of PPACA.

[17] U.S. Department of Health and Human Services, "Solicitation For Third Party Administrators For Federal High Risk Pool Program," May 25, 2010, available at https://www.fbo.gov/spg/HHS/PSC/DAM/10-233-SOL-00200/listing.html.

[18] U.S. Department of Health and Human Services, "Initiatives and Programs: Pre-Existing Condition Insurance Plan," July 2010, available at http://www.hhs.gov/ociio/initiative/index.html. U.S. Department of Health and Human Services, "Federal High Risk Pool Third Party Administrator (10-233-SOL-00200): Interested Parties List," June 2010, available at https://www.fbo.gov/spg/HHS/PSC/DAM/10-233-SOL-00200/listing.html.

[19] CRS Report RS21974, *Federal Employees Health Benefits Program: Available Health Insurance Options*, by (name redacted) and (name redacted).

[20] §1101(g)(1) of PPACA.

exhausted, "resulting in substantial premium increases to sustain the program."[21] CBO concurs that $5 billion will not be enough to cover the costs of all applicants through 2013.[22]

Many of the states that elected not to participate cited the funding as their reason. For example, Texas Governor Rick Perry in a letter to the Secretary stated that the funding is insufficient and that "state officials could be forced to reduce health coverage, raise premiums or ask state taxpayers to pay" for the HRP.[23] Similarly, Wyoming Governor Dave Freudenthal wrote the Secretary expressing the concern "that the allotted money may prove to be insufficient to fully operate this program until 2014."[24] If HHS estimates that there will be a funding shortage, then the Secretary has the authority to make any program adjustments necessary to eliminate the deficit.[25]

The Secretary has proposed allocating funds for the program by using a formula similar to what was used for the State Children's Health Insurance Program (CHIP), whereby funds would be allotted to states using a combination of factors, including nonelderly population, nonelderly uninsured, and geographic cost, as a guide.[26] The Secretary intends to reallocate the unspent state allotments after a period of not more than two years, based on an assessment of enrollment and expenditure experiences of each state. A breakdown of the proposed funding by state is provided in **Table A-2**.

Eligibility Criteria

The PCIP program is intended to supplement existing state HRPs. Indeed, existing state HRP enrollees are ineligible for the federal program because federal enrollees must be without credible coverage for a six-month period prior to the date on which the individual is applying for coverage through the federal PCIP program.[27] Credible coverage is defined by §2701(c) of the Public Health Service Act (PHSA) as a group health plan, health insurance coverage, Medicare Part A or Part B, Medicaid, coverage from the Department of Defense, a medical care program of the Indian Health Service (IHS), a state health benefits risk pool, the Federal Employee Health Benefits Program (FEHBP), a public health plan (as defined in regulations), or a health benefit plan under the Peace Corps Act.[28] The criteria is based on enrollment in credible coverage, not on access to it. In other words, PCIPs are permitted to deny eligibility based on an applicant's

[21] January 8, 2010, memorandum "Estimated Financial Effects of the Patient Protection and Affordable Care Act as Passed by the Senate on December 24, 2009" from CMS Chief Actuary Richard S. Foster to the Congress. Available at http://www.cms.gov/ActuarialStudies/Downloads/S_PPACA_2010-01-08.pdf.

[22] Congressional Budget Office, "Letter to Senator Michael B. Enzi," June 21, 2010, available at http://www.cbo.gov/ftpdocs/115xx/doc11572/06-21-High-Risk_Insurance_Pools.pdf.

[23] April 30, 2010, letter from Governor Rick Perry to Secretary Kathleen Sebelius. Available at http://governor.state.tx.us/files/press-office/O-SebeliusKathleen20100430.pdf.

[24] Leigh Anne G. Manlove, "Governor Freudenthal Opts for Federally Run High-Risk Insurance Pool," April 28, 2010. Available at http://governor.wy.gov/press-releases/governor-freudenthal-opts-for-federally-run-highrisk-insurance-pool.html.

[25] §1101(g)(2) of PPACA.

[26] U.S. Department of Health and Human Services, "Fact Sheet – Temporary High Risk Pool Program," April 2010. Available at http://www.hhs.gov/ociio/initiative/hi_risk_pool_facts.html.

[27] §1101(d) of PPACA.

[28] 45 CFR 146.113 defines a public health plan as any plan established or maintained by a state, the U.S. government, a foreign country, or any political subdivision of a state, the U.S. government, or a foreign country that provides health coverage to individuals who are enrolled in the plan.

enrollment in creditable coverage during the six-month period prior to applying for PCIP, but they may not deny coverage to an otherwise eligible individual merely because the individual has access to credible coverage.[29]

Eligible individuals must also have a preexisting condition, as determined by the Secretary.[30] In the interim final rule published on July 30, 2010, the Secretary established the following criteria for determining if an individual has a preexisting condition for the purposes of PCIP eligibility: (1) the individual provides documented evidence that an insurer has refused, or has provided clear indication that it would refuse, to issue individual coverage on grounds related to the individual's health; (2) the individual provides documented evidence that he or she has been offered individual coverage but only with a rider that excludes coverage of benefits associated with a preexisting condition; (3) the individual provides documented evidence that he or she has a medical or health condition specified by the state and approved by the Secretary for inclusion in PCIP; or (4) other criteria as defined by the PCIP and approved by the Secretary.[31]

Finally, eligible individuals must be a citizen or national of the United States or be lawfully present in the United States.[32] To assist in determining citizenship or nationality, HHS is creating a new computer matching program with the U.S. Office of Personnel Management (OPM), the Social Security Administration (SSA), and the Department of Agriculture's National Finance Center (NFC).[33] This program will allow for the matching between agency systems of the following data fields: name, address, date of birth, Social Security Number (SSN), and Tax Identification Number (TIN).

Application Procedures and Enrollment

To apply for the PCIP administered by HHS, eligible individuals must submit an application and supporting materials indicating their eligibility. The PCIP has both paper and online application options available.[34] Prospective applicants can also call to request a mailed copy of the application at 1-866-717-5826 (TTY 1-866-561-1604). The application requires basic personal information, indication of citizenship or immigration status, information about the applicant's medical condition or diagnosis that makes the individual eligible, and information about previous health insurance coverage.[35] PCIP applicants must also supply a copy of a letter dated within six months of the application from an insurance company or health plan showing that they had been completely denied individual coverage because of a preexisting condition, or were offered coverage but were denied certain benefits because of a preexisting condition. Federal HRPs administered by the states may develop their own application procedures, and thus some variation

[29] U.S. Department of Health and Human Services, "Pre-Existing Condition Insurance Plan Eligibility and Access to Other Creditable Coverage (Policy Letter #5)," March 23, 2011.

[30] §1101(d) of PPACA.

[31] 75 *Federal Register* 45014-45033.

[32] §1101(d) of PPACA.

[33] U.S. Department of Health and Human Services, "Notice of Computer Matching Program, SSA With the United States Department of Agriculture (USDA), National Finance Center (NFC)," *Federal Register*, P.40770, vol. 75, no. 134, Wednesday, July 14, 2010.

[34] See http://www.pcip.gov/Apply.html.

[35] U.S. Department of Health and Human Services, "Instructions for Completing Your Application for the Pre-Existing Condition Insurance Plan," June 2010, available at http://www.pcip.gov/PreExistingConditionPlan_EnrollmentForm_063010_508.pdf.

has been observed.[36] Specific state contacts for applications are available at the Pre-Existing Condition Insurance Plan website.[37]

The Congressional Budget Office (CBO) estimated around 200,000 individuals would be enrolled on average over the 2011-2013 period, based on the assumption that HHS will only spend the $5 billion appropriated in PPACA.[38] However, CBO expects that if the program spending were not capped and 65% of medical costs were covered, then federal spending through 2013 would be between $10 billion and $15 billion and enrollment would be expected to grow from approximately 400,000 in 2011 to as high as 700,000 in 2013.[39] As of the enrollment figures released on February 1, 2011, 12,437 individuals have enrolled in PCIPs (see **Table 1** for PCIP enrollment by state).

The reasons for the lower than expected enrollment have not been independently researched yet. Nevertheless, CCIIO explained in the CMS FY2012 budget justification submission that in the initial months of the program, efforts were focused on establishing the program within the 90-day time period required by PPACA and this compressed implementation schedule necessitated focus on operational matters (e.g., developing claims adjudication, enrollment, and premium collection systems) rather than devoting substantive effort on an education campaign.[40] CCIIO is now working on public education efforts. In testimony before the House Committee on Energy and Commerce, Subcommittee on Oversight and Investigations, CCIIO Director Steven Larsen stated that

> CCIIO has an aggressive strategy to encourage enrollment of eligible individuals, meeting with local doctors, hospitals, consumer groups and chapters of advocacy groups like the American Cancer Society and American Diabetes Association. For example, we are working to reach local stakeholders and providers who come into contact with people with chronic care needs in need of insurance to spread awareness about the PCIP program. We have actively reached out to provider groups through webinars, arranged meetings with potential partners in at least six States, and will continue this outreach in the coming months. CMS is also working with agencies that have a history serving individuals with disabilities, such as the Social Security Administration. Since February 15, 2011, all applicants for Social Security disability benefits have been informed about the PCIP program through application receipts. These collaborations leverage existing communication channels with individuals who have a pre-existing condition and may therefore be eligible for the PCIP program.[41]

On May 31, 2011, HHS announced that the eligibility standards will be eased to facilitate enrollment in the states where the PCIPC are federally administered.[42] Starting July 1, 2011, applicants may merely provide a letter from a doctor, physician assistant, or nurse practitioner

[36] State contact information is available at http://www.pcip.gov/StatePlans.html.

[37] U.S. Department of Health and Human Services, "Pre-Existing Condition Insurance Plan State Information," available at http://www.pcip.gov/StatePlans.html.

[38] Congressional Budget Office, "Letter to Senator Michael B. Enzi," June 21, 2010, available at http://www.cbo.gov/ftpdocs/115xx/doc11572/06-21-High-Risk_Insurance_Pools.pdf.

[39] Ibid.

[40] Centers for Medicare & Medicaid Services, "FY 2012 Online Performance Appendix," February 2011.

[41] Testimony of OCIIO Director Steven Larsen, in U.S. Congress, House Committee on Energy and Commerce, Subcommittee on Oversight and Investigations, "The PPACA's High Risk Pool Regime: High Cost, Low Participation," 112th Congress, 1st session, April 1, 2011.

[42] U.S. Department of Health and Human Services, "Changes to the Pre-Existing Condition Insurance Plan in Your State," May 31, 2011, available at http://www.healthcare.gov/news/factsheets/pcip05312011a.html.

dated within the past 12 months stating that they have or, at any time in the past, had a medical condition, disability, or illness. Applicants will no longer have to wait on an insurance company to send them a denial letter.[43]

Table 1. PCIP Enrollment by State

November 1, 2010 through April 30, 2011

State	Date Coverage Began (in 2010)	11/1/2010 Enrollment	2/1/2011 Enrollment	3/31/2011 Enrollment	4/30/2011 Enrollment
Alabama	August 1	33	61	77	91
Alaska	September 1	12	20	32	34
Arizona	August 1	112	270	374	457
Arkansas	September 1	127	147	198	226
California	October 25	513	706	1,543	1,858
Colorado	September 1	368	434	617	699
Connecticut	September 1	12	22	34	42
Delaware	August 1	13	34	41	54
DC	October 1	0	10	15	21
Florida	August 1	293	613	770	925
Georgia	August 1	161	399	515	608
Hawaii	August 1	11	23	24	27
Idaho	August 1	19	42	43	47
Illinois	September 1	664	943	1,150	1,261
Indiana	August 1	63	131	177	201
Iowa	September 1	56	80	129	143
Kansas	August 1	81	112	161	177
Kentucky	August 1	23	56	77	93
Louisiana	August 1	31	92	121	137
Maine	August 1	13	13	13	14
Maryland	September 1	62	145	298	348
Massachusetts	August 1	0	0	0	1
Michigan	October 1	36	89	184	225
Minnesota	August 1	15	29	37	49
Mississippi	August 1	19	58	71	75
Missouri	August 15	101	166	289	322
Montana	August 1	149	153	198	214
Nebraska	August 1	12	39	49	61
Nevada	August 1	56	125	147	181

[43] Applicants will still need to meet other eligibility criteria, including that they are U.S. citizens or residing in the United States legally and that they have been without health coverage for six months.

State	Date Coverage Began (in 2010)	11/1/2010 Enrollment	2/1/2011 Enrollment	3/31/2011 Enrollment	4/30/2011 Enrollment
New Hampshire	July 1	43	78	123	148
New Jersey	August 15	108	216	416	507
New Mexico	August 1	133	198	322	354
New York	October 1	201	411	847	1,075
North Carolina	August 1	513	674	1,106	1,302
North Dakota	August 1	1	5	6	9
Ohio	September 1	634	726	1,024	1,145
Oklahoma	September 1	148	190	262	291
Oregon	August 1	340	483	734	822
Pennsylvania	October 1	1,657	2,046	2,684	3,191
Rhode Island	September 15	78	85	102	115
South Carolina	August 1	104	242	309	377
South Dakota	July 15	43	62	94	94
Tennessee	August 1	43	171	255	314
Texas	August 1	393	1,007	1,298	1,528
Utah	September 1	73	117	223	286
Vermont	September 1	0	0	0	0
Virginia	August 1	75	204	268	320
Washington	September 1	75	139	304	341
West Virginia	September 1	4	15	18	24
Wisconsin	August 1	248	307	456	547
Wyoming	August 1	17	49	61	73
	Totals	7,986	12,437	18,313	21,454

Sources: U.S. Department of Health and Human Services, "State by State Enrollment in the Pre-Existing Condition Insurance Plan, Archived Enrollment Data," November 1, 2010, available at http://www.healthcare.gov/news/factsheets/pcip02102011b.html; U.S. Department of Health and Human Services, State by State Enrollment in the Pre-Existing Condition Insurance Plan," February 1, 2011, available at http://www.healthcare.gov/news/factsheets/pcip02102011a.html; and U.S. Department of Health and Human Services, "State by State Enrollment in the Pre-Existing Condition Insurance Plan," April 30, 2011, available at http://www.healthcare.gov/news/factsheets/pcip06102011a.html.

Notes: Maine, Massachusetts, New Jersey, New York, and Vermont all have laws that in varying ways guarantee issue of health insurance and prohibit insurers from denying a person coverage based upon preexisting conditions. Residents of these states will therefore not have letters of denial or riders from insurers to use in the PCIP eligibility. The federal "proof of denial" requirements (for Vermont and Massachusetts) were modified to accept documentation that shows the individual was offered coverage in the last six months at a premium at least twice as much as the PCIP premium in the state. In Maine and New York, eligibility for the state-administered PCIP is restricted to individuals with certain health conditions that are included in a list of 30 selected conditions. In New Jersey, insurers cannot deny coverage because of a preexisting condition, but can impose an exclusion period for treatment of the preexisting condition. A person is eligible for the New Jersey PCIP if he or she has a condition that a carrier would have temporarily excluded from coverage.

Plan Benefits and Premium Rates

Specific coverage policy (e.g., providers and procedures covered and prescription drug formularies) is not addressed by the law. In other words, section 1101 PPACA does not require nor expressly prohibit certain providers, procedures, prescriptions drugs, or medical technology. However, the Secretary does have the authority to establish additional requirements for the program that can be used to establish coverage policy.[44] With respect to network adequacy, the Secretary established by regulation that each PCIP may specify the network of providers it contracts with, but the PCIP must demonstrate to HHS that it has a sufficient number and range of providers to ensure that all covered services are reasonably available to enrollees.[45] The Secretary further established that PCIPs must cover certain benefit categories listed below.[46] Specific covered items and services within these broad coverage categories may vary between PCIPs. The Secretary also established the following excluded coverage categories: (1) cosmetic surgery except to restore bodily function or correct deformity resulting from disease; (2) custodial care except for hospice; (3) in vitro fertilization, artificial insemination or any other artificial means used to cause pregnancy; (4) abortion services except when the life of the woman would be endangered or when the pregnancy is the result of an act of rape or incest; and (5) experimental care except as part of an FDA-approved clinical trial.[47]

Required PCIP Benefit Categories at 45 CFR §152.19(a)

- **Hospital inpatient services**
- **Hospital outpatient services**
- **Mental health and substance abuse services**
- **Professional services for the diagnosis or treatment of injury, illness, or condition**
- **Non-custodial skilled nursing services**
- **Home health services**
- **Durable medical equipment and supplies**
- **Diagnostic x-rays and laboratory tests**
- **Physical therapy services**
- **Hospice services**
- **Emergency services including ambulance services**
- **Prescription drugs**
- **Preventive care**
- **Maternity care**

PPACA also establishes certain benefits requirements with respect to the value of the PCIP coverage. To be a qualified PCIP, the health insurance coverage must have an actuarial value of at least 65% of the total allowed costs.[48] The means that the PCIP's average share of the total the costs of the coverage benefits must be at least 65%. The coverage must also have an out-of-pocket limit no greater than the applicable amount for high-deductible health plans linked to health savings accounts, which is $5,950 for an individual in 2011.[49] This means the total annual

[44] §1101(c)(2)(D) of PPACA.

[45] 45 CFR §152.22.

[46] 45 CFR §152.19(a).

[47] 45 CFR §152.19(b).

[48] §1101(c)(2)(B) of PPACA. The actuarial value of a health insurance policy is the percentage of the total covered expenses that the plan would, on average, cover. For example, a plan with a 65% actuarial value means that consumers would on average pay 35% of the cost of health care expenses through features like deductibles and coinsurance. The amount that individual consumers pay could vary substantially by the amount of services used. The actuarial value does not include premiums paid by the enrollee.

[49] §1101(c)(2)(B) of PPACA and §223(c)(2) of the Internal Revenue Code of 1986.

cost-sharing requirements, including deductibles, cannot exceed $5,950. This limit, however, does not apply to deductibles and expenses for out-of-network services if the plan uses a network of providers.[50] There is considerable variation in cost sharing between states and PCIP options within a state. For 2011, PCIP medical deductibles range from $0 to $5,000 and for PCIPs with separate drug deductibles the range is $100 to $500.[51] After the deductible, some PCIPs have a coinsurance requirement while other PCIPs use flat dollar co-payments. For example, PCIPs that utilize coinsurance typically require around 20% for a primary care visit, while the flat dollar co-payments for the same visit in other PCIPs is typically around $20 to $25.[52]

Certain PPACA requirements for the PCIP are designed to make premium rates fair and affordable. By law, premium rates for the PCIP must be established at a standard rate for a standard population and age rating cannot exceed a factor of 4 to 1.[53] PPACA also subsidizes premiums by appropriating $5 billion for the payment of claims and administrative costs of the PCIP that are in excess of the amount of premiums collected from enrollees.[54] In addition to the population and age rating factors, PCIP premiums vary considerably by state and by plan benefit factors, such as, the size of the deductible.[55] For 2011, monthly premiums for PCIPs administrated by a state range from $69 to $1,806 and for the federal PCIPs premiums range from $116 to $842.[56]

Reducing 2011 Premiums

In order to reduce the out-of-pocket premium costs that may have been high enough to discourage enrolling in the PCIPs, HHS announced on May 31, 2011, that it would be reducing premiums in the federally administered PCIPs.[57] Effective July 2011, premiums will drop an average of 20.67%.[58] These premium decreases help bring PCIP premiums closer to the rates in each state's individual insurance market (**Table 2**). In Hawaii, Idaho, Massachusetts, North Dakota, Vermont, and Wyoming, PCIP premiums were similar to the individual market and will not be reduced.

[50] Department of the Treasury, Internal Revenue Service, "Health Savings Accounts and Other Tax-Favored Health Plans," Publication 969, November 25, 2009.

[51] Richard Popper, "Immediate Improvements in the Insurance Market for Americans over 50 The Early Retiree Reinsurance Program and the Pre-existing Condition Insurance Plan," presentation before the Alliance for Health Reform, January 24, 2011.

[52] CRS analysis of PCIP benefit packages.

[53] §1101(c)(2)(C) of PPACA. The terms "standard rate" and "standard population" were not defined by PPACA. HHS has interpreted this provisions to mean that the rate may not exceed 100% of the standard non-group rate. U.S. Department of Health and Human Services, "Fact Sheet—Temporary High Risk Pool Program," April 2010. Available at http://www.hhs.gov/ociio/initiative/hi_risk_pool_facts.html. Age rating refers to the practice of a health insurer estimating the expected health care spending for all individuals within a given age group and then varying the premiums for individuals across groups to account for the differences. Higher age groups are charged higher premiums.

[54] §1101(g) of PPACA.

[55] For a background in factors that impact on premium rates, see CRS Report R41588, *Private Health Insurance Premiums and Rate Reviews*, by (name redacted) and (name redacted).

[56] Richard Popper, "Immediate Improvements in the Insurance Market for Americans over 50 The Early Retiree Reinsurance Program and the Pre-existing Condition Insurance Plan," presentation before the Alliance for Health Reform, January 24, 2011.

[57] U.S. Department of Health and Human Services, "HHS to Reduce Premiums, Make it Easier for Americans with Pre-Existing Conditions to Get Health Insurance," May 31, 2011, available at http://www.hhs.gov/news/press/2011pres/05/20110531b.html.

[58] U.S. Department of Health and Human Services, "Changes to the Pre-Existing Condition Insurance Plan in Your State," May 31, 2011, available at http://www.healthcare.gov/news/factsheets/pcip05312011a.html.

HHS concurrently released guidance to the states on how they may reduce premiums in the state-administered PCIPs.[59] To date, it is unknown how many states plan on adjusting premiums in their PCIPs.

Table 2. July 2011 Reductions in Federally Administered PCIP Premiums

State	PCIP Premium Reduction
Alabama	-40.0%
Arizona	-40.0%
Delaware	-40.0%
District of Columbia	-18.3%
Florida	-40.0%
Georgia	-15.5%
Hawaii	No Change
Idaho	No Change
Indiana	-26.2%
Kentucky	-40.0%
Louisiana	-24.8%
Massachusetts	No Change
Minnesota	-38.3%
Mississippi	-2.1%
Nebraska	-20.5%
Nevada	-37.5%
North Dakota	No Change
South Carolina	-14.7%
Tennessee	-18.4%
Texas	-23.6%
Vermont	No Change
Virginia	-40.3%
West Virginia	-15.8%
Wyoming	No Change

Source: U.S. Department of Health and Human Services, "Changes to the Pre-Existing Condition Insurance Plan in Your State," May 31, 2011, available at http://www.healthcare.gov/news/factsheets/pcip05312011a.html.

[59] U.S. Department of Health and Human Services, "PCIP Premium and Benefit Revisions (Policy Letter #6)," May 31, 2011.

Appendix. PCIP Program Tables

Table A-1. PCIP Websites by State

State	Name	Website
Alaska	Alaska Comprehensive Health Association	http://www.achia.com/ACHIA-FED/benefits.htm
Arkansas	Federal Pre-Existing Condition Insurance Plan (PCIP)	http://www.chiparkansas.org/pcip/default.asp
California	California Pre-Existing Condition Insurance Plan (PCIP)	http://www.pcip.ca.gov/Home/default.aspx
Colorado	Getting US Covered	https://www.gettinguscovered.org/
Connecticut	Connecticut Pre-Existing Condition Insurance Plan	http://www.ct.gov/dss/cwp/view.asp?Q=463668&A=2345
Illinois	Illinois Pre-Existing Condition Insurance Plan (IPXP)	http://insurance.illinois.gov/IPXP/
Iowa	Iowa Comprehensive Health Association (HIPIOWA)	http://www.hipiowa.com/
Kansas	Pre-existing Condition Insurance Plan-Kansas (PCIP-KS)	http://www.khiastatepool.com/default.asp
Maine	Pre-Existing Condition Plan	http://www.dirigohealth.maine.gov/Pages/pre_exist.html
Maryland	Maryland Health Insurance Plan (MHIP)	http://www.marylandhealthinsuranceplan.state.md.us/
Michigan	Health Insurance Program (HIP) Michigan	http://www.hipmichigan.com/
Missouri	Missouri Health Insurance Pool (MHIP)	http://www.mhip.org/
Montana	Montana Affordable Care Plan (MAC Plan)	http://www.mthealth.org/
New Hampshire	NHHP-FED	http://www.nhhp.org/nhhp-fed/index.asp
New Jersey	NJ Protect	http://www.state.nj.us/dobi/division_insurance/njprotect/index.htm
New Mexico	New Mexico Federal High Risk Pool (FHRP)	http://www.nmmip.org/
New York	NY Bridge Plan	http://www.ins.state.ny.us/health/high_risk.htm
North Carolina	Inclusive Health - Federal Option	http://www.inclusivehealth.org/federaloption/index.htm
Ohio	Ohio High Risk Pool	http://www.ohiohighriskpool.com/
Oklahoma	Oklahoma Temporary High Risk Pool	http://www.bcbsok.com/ohrp/temp_pool.html

State	Name	Website
Oregon	Oregon Federal Medical Insurance Pool (FMIP)	http://www.oregon.gov/OPHP/OMIP/fmip.shtml
Pennsylvania	PA Fair Care	http://www.pafaircare.com/
Rhode Island	Pre-existing Condition Insurance Plan for Rhode Island (PCIPRI)	https://www.bcbsri.com/BCBSRIWeb/plansandservices/PECIPRI/index.jsp
South Dakota	South Dakota Federal High Risk Pool Program	http://fedhighriskpool.sd.gov/
Utah	Federal-HIPUtah	http://selecthealth.org/plans/government/fedhip/Pages/home.aspx
Washington	Pre-existing Condition Insurance Plan-Washington State (PCIP-WA)	https://www.wship.org/PCIP-WA/default.htm
Wisconsin	Federal Health Insurance Risk-Sharing Plan (HIRSP)	http://www.hirsp.org/index.shtml
Federally administered PCIP states	Pre-Existing Condition Insurance Plan	http://www.pciplan.com

Source: CRS analysis.

Note: The federally administered PCIP states are Alabama, Arizona, Delaware, DC, Florida, Georgia, Hawaii, Idaho, Indiana, Kentucky, Louisiana, Massachusetts, Minnesota, Mississippi, Nebraska, Nevada, North Dakota, South Carolina, Tennessee, Texas, Vermont, Virginia, West Virginia, and Wyoming.

Table A-2. Proposed Allocation of Federal Funds for Temporary High Risk Pools, by State

State	Potential Allocation of Federal HRP Funds (in millions)
Alabama	$69
Alaska	$13
Arizona	$129
Arkansas	$46
California	$761
Colorado	$90
Connecticut	$50
Delaware	$13
District of Columbia	$9
Florida	$351
Georgia	$177
Hawaii	$16
Idaho	$24
Illinois	$196
Indiana	$93
Iowa	$35
Kansas	$36
Kentucky	$63
Louisiana	$71
Maine	$17
Maryland	$85
Massachusetts	$77
Michigan	$141
Minnesota	$68
Mississippi	$47
Missouri	$81
Montana	$16
Nebraska	$23
Nevada	$61
New Hampshire	$20
New Jersey	$141
New Mexico	$37
New York	$297
North Carolina	$145

State	Potential Allocation of Federal HRP Funds (in millions)
North Dakota	$8
Ohio	$152
Oklahoma	$60
Oregon	$66
Pennsylvania	$160
Rhode Island	$13
South Carolina	$74
South Dakota	$11
Tennessee	$97
Texas	$493
Utah	$40
Vermont	$8
Virginia	$113
Washington	$102
West Virginia	$27
Wisconsin	$73
Wyoming	$8
Totals	**$5 billion**

Sources: U.S. Department of Health and Human Services, "HHS Secretary Sebelius Announces New Pre-Existing Condition Insurance Plan," July 1, 2010, available at http://www.hhs.gov/news/press/2010pres/07/20100701a.html; U.S. Department of Health and Human Services, "Fact Sheet – Temporary HRP Program," April 2010. Available at http://www.hhs.gov/ociio/initiative/hi_risk_pool_facts.html.

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