



National Association of Health Underwriters

Elements of a Successful High Risk Pool

The National Association of Health Underwriters (NAHU) feels that the development of a health insurance high-risk pool is the best way a state can ensure that individuals suffering from catastrophic medical conditions always have access to high-quality affordable private health insurance coverage, while still preserving the viability and competitiveness of the state's traditional individual health insurance market.

Thirty-two states have functioning high-risk pools at the present time, but they are all structured and funded differently. As such, some state risk-pools operate more successfully than others do. In NAHU's view, the following elements help comprise a successful high-risk pool:

- The mechanism used to offset pool losses should be both as broad and stable a funding source as possible. NAHU feels that of all the means used by states to cover risk-pool losses, a per-covered life assessment on all health insurance carriers in the state, including stop-loss and reinsurance carriers is both the fairest and most effective option a state could chose.
- Any carrier assessments should be straight per-head assessments, and not offset with premium tax rebates. States that have provided carriers with such rebates have also been unreliable, since this is just another means of subsidizing risk-pool losses with taxpayer funds. Therefore, the risk-pool's operating budget will be subject to the potential volatility of the state legislature and state revenues.
- High-risk pool premiums should average between 100-150 percent of the average market rate, and should be capped at no more than 200 percent of the average market rate in the state. While it is fair that uninsurable population pay slightly more for private coverage, premiums should not be so high as to limit access for low and middle-income families.
- Plan premiums should include an agent referral fee, which is typically between \$25-\$100 per case.
- The risk-pool board should include industry representation, including producer representation, as well as representation from consumer and provider groups. A private third-party administrator should handle the pool's day-to-day operations, and the pool should be subject to regulatory oversight by the state Department of Insurance.
- The pool, like other traditional insurance options, should have a lifetime maximum benefit limit (e.g., \$1 million), and offer several plan options for participants (e.g., multiple deductible options, a range of product choices such as a PPO and a consumer-directed option).
- The pool should serve as the state's guarantee-issue purchasing option for individuals exercising their group-to-individual portability rights under the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA eligible), and should also serve as one of the state-elected purchasing options for individuals who are eligible for the federal Health Care Tax Credit (HCTC eligible).
- For non-HIPAA and HCTC eligibles, the pool should have a preexisting condition waiting-period of at least six months, so as to help prevent adverse selection.
- Pool eligibility should be limited to individuals who have lived in the state for at least 30 days, and can prove that they meet at least one of the following conditions: (1) they have been rejected for individual coverage by at least two insurers, (2) they have a catastrophic medical condition that allows for automatic pool acceptance without a prior carrier rejection (e.g., cancer, transplant cases), (3) they are presently insured but paying a premium higher than plan rates, (4) they are a dependent of an eligible individual, or (5) they are either HCTC or HIPAA eligible.

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