

Cancer Patients' & Survivors' Experiences with State High-Risk Pools



As Congress debates enacting changes to the health care market, one concept re-emerging is state high-risk pools to provide health insurance coverage for individuals who otherwise cannot obtain or afford coverage. High risk pools are not a new concept. Prior to the enactment of the Affordable Care Act (ACA) many states operated some form of high risk pool. During implementation of the ACA, a federal high risk pool was established as an interim step to the new marketplaces. The overall success of high risk pools varied. This fact sheet examines how state risk pools work and the impact on persons with cancer and cancer survivors.

What are State High-Risk Pools?

Between 1976 and 2010, 35 states implemented state high-risk pools that provided health insurance coverage to individuals unable to obtain health insurance in the individual market. High risk pools were often the only source of non-group coverage for an individual with a pre-existing condition like cancer because, prior to 2014, health plans in most states were permitted to deny health insurance coverage to an individual because of a pre-existing condition.¹

Who Was Eligible for State High-Risk Pools?

Eligibility for high risk pools varied by state, but generally in order to qualify an individual had to meet one or more of the following categories:

- **Medically Eligible:** In order to be medically eligible, an individual would have to demonstrate they had been turned down for private insurance due to a medical condition (e.g., a cancer diagnosis).
- **HIPAA Eligible:** In order to be HIPAA eligible an individual must have had group health insurance coverage within the past 63 days and that coverage must have lasted longer than 18 months. Individuals must also have exhausted any COBRA coverage (or similar coverage extension provided by the state).
- **Health Coverage Tax Credit Eligible:** In order to meet this eligibility category an individual must have experienced job loss as a result of foreign trade (e.g., eligible for Trade Adjustment Assistance) or were between the ages of 55 and 64 and received benefits from the Pension and Guarantee Corporation.²
- **Medicare Eligible:** A number of states also offered coverage to individuals eligible for Medicare as a supplemental source of coverage.

A few states capped enrollment in their state high risk pools in order to limit the overall cost of the program, thus leaving eligible individuals placed on a waiting list until they were admitted to the program or cap was removed or raised. In some cases, individuals could remain on the waiting lists for years – leaving them without insurance coverage.

How Did State High Risk Pools Control Costs?

Providing health coverage to individuals with high health costs can be expensive. To keep costs down, states employed a variety of measures to limit or curtail enrollment in high risk pools. Specific policies varied considerably from state to state, but generally included one or more of the following:

- **Higher Premiums:** All state high risk pools set premiums above the non-group market average or standard rate in the state, usually by 150-200%.³ Only some states provided additional premium assistance for low-income individuals so many people who could not afford the premiums were priced out of the program.
- **Waiting Periods:** Most states imposed waiting periods before covering pre-existing conditions. For instance, an individual with a prior cancer diagnosis had to wait a period of time after enrolling (usually 6-12 months) before the state high risk pool would cover the costs associated with cancer treatments or follow-up survivorship care.
- **Limitations on Coverage:** A majority of states imposed limitations on coverage with either lifetime or annual limits.⁴ States that imposed annual limits either imposed a cap on total covered benefits or capped particular benefit categories (e.g., prescription drugs, mental health, etc.). A majority of states imposed a lifetime dollar limit, which ranged from \$1 million to \$2 million.
- **High Out-of-Pocket Costs:** Plans offered in state high risk pools included deductibles that ranged from \$500 to \$5,000. Most plans offered deductibles of \$1,000 or higher.⁵

Even using some or all of these cost-cutting policies, state high risk pools were expensive for states to operate. All state high risk pools experienced a net operating loss. In 2011, the combined operating loss for all 35 state high-risk pools was in excess of \$1.2 billion.⁶ In a modelled scenario, Commonwealth estimated a national high-risk pool (consisting of approximately 14 million Americans with pre-existing conditions who lacked health insurance coverage) where each enrollee paid \$7,000 in annual premiums and incurred annual medical costs of \$20,000 would cost the federal government \$178.1 billion per year.⁷

Historically state high-risk pool premiums (even though set higher than standard or average rates) were inadequate to cover the full costs of the high-risk pool. States had different strategies to finance those losses including: assessments on insurers (typically offset through reductions in their state premium taxes); assessments on hospital admissions or similarly targeted taxes; or state general revenues (the most broad-based financing vehicle available to a state). Although some states tried to help finance their risk pool programs by also assessing self-insured (self-funded) employer-sponsored plans (which, on average, included about 50 percent of all privately covered workers in a state), these efforts were unsuccessful because of ERISA's preemption of state regulation of private sector employer sponsored health benefit plans.⁸

What are the Concerns for Cancer Patients and Survivors?

Cancer patients and survivors need insurance coverage that is affordable, readily accessible, and protects them from pre-existing condition exclusions, annual and lifetime caps on coverage and extraordinary out-of-pocket costs. Past experience has shown that high risk pools failed to meet these criteria and still be affordable to the state. There is a concern that absent robust funding, oversight, and strong consumer protections, state high-risk pools fall short of providing the coverage of products and services cancer patients and survivors need.

¹ For more information on pre-existing conditions, see ACS CAN's fact sheet available at <https://www.acscan.org/policy-resources/pre-existing-condition-exclusions-protect-cancer-patients>.

² More information on the Health Coverage Tax Credit is available at <https://fas.org/sgp/crs/misc/R44392.pdf>.

³ Karen Pollitz, *High-Risk Pools for Uninsurable Individuals*, Kaiser Family Found. February 2017, available at <http://kff.org/health-reform/issue-brief/high-risk-pools-for-uninsurable-individuals/>.

⁴ Under the Affordable Care Act, health plans are prohibited from imposing lifetime or annual limits. For more information, see ACS CAN's fact sheet available at <https://www.acscan.org/policy-resources/bans-lifetime-and-annual-cost-caps-protect-cancer-patients>.

⁵ Pollitz, High-Risk Pools for Uninsurable Individuals.

⁶ Id.

⁷ Jean P. Hall, Why a National High-Risk Insurance Pool is Not a Workable Alternative to the Marketplace, The Commonwealth Fund. December 2014, available at http://www.commonwealthfund.org/~media/files/publications/issue-brief/2014/dec/1792_hall_highrisk_pools.pdf?la=en.

⁸ National Association of State Comprehensive Health Insurance Plans, Comprehensive Health Insurance for High-Risk Individuals, 19th ed.