

# Pre-Existing Condition Insurance Plan

President Obama signed into law **Pub.L.111-148**, the Patient Protection and Affordable Care Act of 2010 (Affordable Care Act), on March 23, 2010, and **Pub.L.111-152**, the Health Care and Education Reconciliation Act of 2010 (HCERA), on March 30, 2010. These two laws will change both the availability of health insurance and how health care is delivered in America. In addition, several of the legislation's provisions directly impact eldercare and disability employers and direct-care staff. This is the second in a series of **fact sheets** describing those provisions.

## Expanding Coverage through Temporary High-Risk Pools

The first major coverage expansion under the Affordable Care Act begins this summer, with a new temporary high-risk pool program called the **Pre-Existing Condition Insurance Plan (PCIP)**. For direct-care workers who have been unable to obtain health insurance due to chronic conditions such as diabetes and hypertension, a history with cancer, or a work-related injury, the PCIP provides an opportunity to access health coverage prior to January 1, 2014, when the Affordable Care Act is fully enacted. At that time, most Americans will be covered either through their employer, public programs (e.g., Medicare and Medicaid), or the new insurance exchanges.

### Why High-Risk Insurance Pools Are Needed

When individuals do not have access to health coverage through their employer, a family member, or a public plan, their only option is to buy coverage through the individual market. In most states, an insurer selling policies in the individual market can deny coverage to a person with a pre-existing condition. While not required to have an alternative option for those considered "medically uninsurable," **35 states**, prior to the passage of the Affordable Care Act, offered "high-risk pools" for individuals who were otherwise unable to purchase coverage.

These existing high-risk pools, however, have not met the needs of many individuals with pre-existing conditions. Often premiums are unaffordable, or to save money, states have capped enrollment. The new law will make high-risk pools more accessible to individuals who need coverage and, at the same time, will relieve states of some of the cost of administering these programs.

## Provisions of the Pre-Existing Condition Insurance Plan

### State Participation

The new law provides \$5 billion in federal funding to support state PCIPs for the next four years. States can run their own PCIP, using the funding to subsidize their costs and reduce premiums for participants, or they can opt out. If a state opts out, the federal government will provide a PCIP for the state's residents.

According to the **National Conference of State Legislatures**, states are pursuing different approaches to the implementation of their programs. In **May 2010**, 30 states and the District of Columbia indicated to the U.S. Department of Health and Human Services that they would run their own PCIP (see table below).

In the 20 states that have opted out of running high-risk pools, **individuals will have access to coverage through a federally operated PCIP.**

## Current Status of Pre-Existing Condition Insurance Plans by State

### State-Operated Pre-Existing Condition Insurance Plans

|                      |               |                |                  |
|----------------------|---------------|----------------|------------------|
| Alaska               | Kansas        | New Hampshire  | Pennsylvania     |
| Arkansas             | Kentucky      | New Jersey     | South Dakota     |
| California           | Maine         | New Mexico     | Utah             |
| Colorado             | Maryland      | New York       | Vermont          |
| Connecticut          | Massachusetts | North Carolina | Washington State |
| District of Columbia | Michigan      | Ohio           | West Virginia    |
| Illinois             | Missouri      | Oklahoma       | Wisconsin        |
| Iowa                 | Montana       | Oregon         |                  |

### Federally Operated Pre-Existing Condition Insurance Plans

|          |           |              |                |
|----------|-----------|--------------|----------------|
| Alabama  | Hawaii    | Mississippi  | South Carolina |
| Arizona  | Idaho     | Nebraska     | Tennessee      |
| Delaware | Indiana   | Nevada       | Texas          |
| Florida  | Louisiana | North Dakota | Virginia       |
| Georgia  | Minnesota | Rhode Island | Wyoming        |

All PCIPs created under the Affordable Care Act, regardless of whether they are run by states or the federal government, must adhere to the following requirements regarding eligibility, premiums, and minimum standard of benefits:

### Eligibility

In order to be eligible for coverage through the temporary high-risk pool program, an individual must meet the following requirements:

- Be a U.S. citizen or legal resident;
- Not have had coverage through a private group or individual health insurance plan, an existing state high-risk pool, COBRA, or a public program like Medicaid **for six months prior to applying for coverage**; and
- Have a pre-existing condition.

In order to enroll, individuals will have to provide written documentation that an insurance company has refused to provide them coverage because of a pre-existing condition. Receiving an offer of coverage that is unaffordable due to a preexisting condition will not qualify an individual for coverage in the high-risk pool program.

Another eligibility requirement is that an individual has to have been uninsured for six months. Individuals who have access to insurance at their job, but have not been enrolled for at least six months, would be eligible for the PCIP if they could prove they were denied coverage in the individual market. However, people who currently have other insurance, even if it is expensive or doesn't offer good benefits, will not be eligible for coverage in the PCIP.

### Premiums

Historically, **premiums in high-risk pools** have been up to 200 percent more expensive than those in the individual market. Insurance companies justify these higher premiums because of the high risk of insuring someone with a pre-existing health condition.

The Affordable Care Act ensures lower premiums by stipulating how the new high-risk pools set their rates. First, the PCIP cannot consider health status when determining premiums. Premiums in the high-risk pool may be no higher than the average premium paid in the state's individual health insurance market. Second, though insurers may charge higher rates to people who are older, there is a limit on how much more. Premium increases based on age cannot exceed a 4:1 ratio—i.e., an older person cannot pay a **premium** more than four times that of a younger person enrolled in the PCIP.

### Benefits

The U.S. Department of Health and Human Services has established the minimum benefit package for the PCIPs. Although states may offer additional benefits, it is not clear at this time what individual states will choose to do.

### Conclusion

The Pre-Existing Condition Insurance Plan will provide access to coverage for some people who have been denied coverage in the private market. For those with serious health problems, the ban on considering health status in setting rates should help to bring down the cost of premiums. While eligibility restrictions and rate setting that allows for age discrimination may make this coverage difficult to access, this may be a viable option for some direct-care workers for the next few years.

### What You Can Do

- The federal government has set up a website—[www.pcip.gov](http://www.pcip.gov)—where individuals can find out information on the the Pre-existing Condition Insurance Plan for their state. According to guidance from the Department of Health and Human Services **Office of Consumer Information and Insurance Oversight**, states are to begin enrollment for their high-risk pools on July 1, and coverage by August 1. Some states, however, may not meet this deadline.
- If your state is not operating its own program, you will be able to enroll in the federally operated Preexisting Condition Insurance Program on July 1 through the web portal, [www.pcip.gov](http://www.pcip.gov). If you are in a state that is operating its own program, periodically check the web portal for information on how to enroll.
- Stakeholders should use newsletters or other communication tools to get the word out about this program to workers and families who may be eligible.

PHI will continue to keep stakeholders updated in our weekly newsletter and at our **Health Reform Resource Center** as programs are finalized and enrollment begins.

### Resources

**State High Risk Pools: An Overview** (Kaiser Foundation)

**Coverage of High Risk Uninsurable: State and Federal High Risk Pools** (National Conference of State Legislators)

**Health Reform Central** (Families USA)

**Fact Sheet: Temporary High Risk Pool** (U.S. Department of Health and Human Services)

**Federal government health care portal** ([www.healthcare.gov](http://www.healthcare.gov))

**Pre-Existing Condition Insurance Plan** ([www.pcip.gov](http://www.pcip.gov))

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**Health Care for Health Care Workers**, an initiative of PHI, seeks to expand health coverage for workers who provide support and assistance to elders and people living with chronic conditions and/or disabilities. These consumers need a skilled, reliable, and stable direct-care workforce to provide quality long-term care services. We believe that one way to ensure a quality direct-care workforce

is to provide quality direct-care jobs—jobs that offer health coverage and pay a living wage.

This, and related publications, are available online at the PHI policy website ([www.PHInational.org/healthreform](http://www.PHInational.org/healthreform)).