

# ISSUE BRIEF: HIGH RISK POOLS

## Overview

The number of uninsured Americans is in the millions and is rapidly growing. Many of these uninsured individuals who attempt to obtain coverage in the private insurance market are deemed “high-risk” and are denied coverage due to existing or previous medical conditions, including mental health and substance use conditions. For others, the premiums quoted based on their medical conditions are cost-prohibitive and leave them with few options. The sad irony is that *because* of their health conditions these uninsurable individuals are most in need of coverage.

To ameliorate this problem, more than thirty states operate “high-risk” insurance pools. High-risk pools are private, self-funded health insurance plans organized by states to serve these “high-risk” individuals (those with pre-existing conditions) who also meet enrollment criteria and do not have access to other insurance options. In most states, high-risk pools are independent entities governed by their own boards and administrators, but in some states they function as part of the state’s department of insurance. As more states consider implementing high-risk pools, we must work to ensure that these plans provide adequate coverage for the treatments needed for mental health and substance use conditions. Additionally, community-based provider organizations should examine existing high-risk pools as referral sources.

## Who is Eligible for High-Risk Pool Programs?

Eligibility for high-risk pools varies by state, but the most common criteria include (1) rejection for health insurance by private market companies due to pre-existing medical conditions; (2) coverage at a rate that exceeds the high-risk pool premium; and (3) residency in the state to which one applies. About half of the states with existing high-risk pool programs provide instant eligibility for individuals with certain conditions such as HIV. A few states provide automatic eligibility for limited, specific mental health disorders. For example, in Alaska individuals with anorexia nervosa or mental retardation are automatically eligible, and in Texas individuals with psychotic disorders are automatically eligible. In addition to the aforementioned criteria, most states accept individuals who are eligible under the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA). Federal law allows states to employ a qualified high-risk pool as an acceptable substitute for the guaranteed availability of individual health insurance coverage for federally eligible individuals under HIPAA. In Alabama, this is the only requirement for high-risk pools in the state.

To date, the average participation rate among states with high-risk pools has been low. Enrollment in 2006 ranged from 236 individuals in West Virginia to more than 29,000 individuals in Minnesota. Pools that have been in operation longer (e.g. Minnesota, Wisconsin, Illinois, Oregon, and California) tend to have higher enrollment rates.

### Who Funds High-Risk Pools?

State appropriations are the largest funding source for high-risk pools, but because high-risk pools typically operate at a loss, states must secure funding through a variety of means, including several sources of federal funding such as the Trade Adjustment Assistance Act of 2002 and its extension, Public Law 109-172. Both of these pieces of legislation appropriated seed grants to assist states in creating and initially funding qualified high-risk pools.

Most recently, in October 2007, The Centers for Medicare and Medicaid Services (CMS) awarded four seed grants of \$150,000 for feasibility studies to the District of Columbia, Georgia, Florida, and Rhode Island. CMS also awarded North Carolina \$850,000 for the creation and implementation of a high-risk pool program. Mental health and substance use treatment provider associations may find it beneficial to contact state officials responsible for the feasibility studies and implementation of these programs to ensure inclusion of mental health and substance use treatment services.

### What Coverage Do High-Risk Pools Offer?

Coverage offered by high-risk pools is typically similar to traditional health insurance offerings in terms of the services they cover. However, they often have significantly higher premiums than traditional plans, sizeable deductibles or co-payments and may restrict lifetime benefits. Typically, high-risk pool premiums are capped between 125 and 200 percent of the standard private insurance premium rates. In Florida, however, rates of up to 250 percent are allowed. In dollars, this translates to an average high-risk pool premium of \$5,355 per year, ranging from \$1,700 in Idaho to \$9,160 in South Carolina. Deductibles tend to be between \$500 and \$1,000, but can exceed \$10,000 in states such as Arkansas, Alaska and Florida.

Some states, (e.g. Maryland, Colorado, Montana, New Mexico, Oregon, Washington, and Wisconsin), offer subsidies or lower out-of-pocket benefit costs to help low income individuals afford high-risk plans. In particular, Maryland's high-risk pool offers discounts on monthly premiums, deductibles and coinsurance costs for individuals whose income is 300% below the federal poverty guidelines. In Colorado, individuals with household incomes below \$50,000 are eligible for premium subsidies.

Despite the fact that high-risk pools were conceived to serve individuals with pre-existing conditions, they often impose pre-existing condition exclusions and frequently have long waiting lists. California has had a waiting list since the inception of its high-risk pool program in 1991.

### Mental Health and Substance Abuse Coverage

While most state high-risk plans offer some mental health and substance use treatment coverage, these benefits are typically more stringently limited than coverage for other medical conditions and require higher co-payments. Louisiana is the only state with a high-risk pool program that does not cover any mental health or substance use treatment. Despite generally limited mental health and substance use treatment coverage, some states *are* adequately covering mental health and substance use treatment services. For example, Missouri covers up to 90 days of inpatient care per year and has no limit on

outpatient services. Connecticut pays 80% of mental health and substance use treatment service fees after the deductible has been met and allows up to 60 days of inpatient services for mental health and 45 days for substance use treatment.

### How Can High-Risk Pools Help National Council Members?

Although the current research suggests that high-risk pools have yet to fully serve their intended purpose, they may still be a valuable option for providers' clients who meet eligibility criteria. Because high-risk pools are state run, some states offer better plans than others. However, if states continue to be resourceful in finding funding and the government continues to disperse grants, high-risk pool programs have the potential to be a viable solution to the problem of the uninsured in the United States.

There are numerous ways in which National Council member organizations can contribute to the evolution and improvement of high-risk pools. For example, members can help shape the eligibility criteria and benefit packages of new programs by becoming involved in the feasibility research occurring in Washington DC, Georgia, Florida, and Rhode Island. Additionally, members may try and work with states that do not have high-risk pools to apply for federal seed funding. Placing individuals with behavioral health backgrounds on high-risk pool boards would be another avenue through which members could favorably impact high-risk pools. Finally, although all but one state provides mental health and substance use treatment services, advocacy on behalf of the mentally ill may improve existing services in the future.

For further information, please visit the following links:

[www.cms.hhs.gov/HighRiskPools/](http://www.cms.hhs.gov/HighRiskPools/)

[www.nahu.org/consumer/HRPGuide.cfm](http://www.nahu.org/consumer/HRPGuide.cfm)

**Please contact Chuck Ingoglia at 301-984-6200 x249 or [ChuckI@thenationalcouncil.org](mailto:ChuckI@thenationalcouncil.org) for more information on high-risk pools.**

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*The National Council for Community Behavioral Healthcare is a not-for-profit, 501(c)(3) association of 1,300 behavioral healthcare organizations. Our members offer medical, social, psychological, and rehabilitation services in community settings to help people with mental illnesses and addiction disorders recover and lead productive lives.*