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HEALTH PLAN WEEK

Health Reform Update

Not-for-Profit Health Plans Could Be Tapped to Run New Risk Pools

The creation of new or expanded high-risk insurance pools (HRPs) by July 1, as called for in the health reform law, could be good news for not-for-profit health insurers — such as Blue Cross and Blue Shield plans — if they are sought by states or by HHS to operate the new entities.

States have until the end of the month to decide if they intend to create a high-risk insurance pool (HRP). The federally funded pools, which will cover uninsured people who have pre-existing conditions, must be operational by July 1, and will serve as a bridge until 2014 when state-run insurance exchanges are slated to be up and running. About 35 states operate their own high-risk pools. The new HRPs must cover on average 65% of the enrollee's medical expenses. Out-of-pocket limits for the plans, which are expected to be lower than for existing pools, will be capped at $5,950 for an individual. To qualify, individuals must have been without health coverage for at least six months.

In a letter sent to governors and state insurance commissioners this month, HHS Sec. Kathleen Sebelius said states would be allowed to expand on existing HRPs or contract with a not-for-profit insurance carrier to provide subsidized coverage. Industry observers queried by *HPW* agree that Blues plans are well-positioned to take on the new pools. Although Sebelius explained that existing HRPs could be expanded to comply with the risk-pool provision, differences in eligibility requirements make it more likely that new pools will operate alongside existing ones.

Along with winning state contracts, Blues plans also could play a role in states that choose not to comply with the request to operate the pools. *Case in point:* Georgia Attorney General John Oxendine (R), a candidate for governor, informed HHS on April 12 that his state would not create a high-risk pool because he is concerned that the new program could wind up costing state taxpayers once federal funding dries up. Other states could follow. In such cases, HHS is likely to contract with a not-for-profit health plan to run the program.

As not-for-profit entities that are used to running health insurance programs, "it would seem that [Blues plans] have a head start…I would expect them to apply," says Brian Pinheiro, a partner in the Business and Finance Department and chair of the Employee Benefits and Executive Compensation Group at the law firm Ballard Spahr, LLP.

If HHS or states decide to contract with a private insurer, it would mean extra business, says Timothy Stoltzfus Jost, a professor of health policy at Washington and Lee University School of Law. "I would think this likely to happen, as HHS does not have its own insurer other than Medicare and gearing up Medicare to take this on is not going to happen."

But setting up the pools on a tight deadline could be cost-prohibitive, Pinheiro adds. "There is a lot that has to happen between now and June. It remains to be seen how quickly states and nonprofit [health plans] can be ready."

Funding Might Not Be Enough

Some industry observers predict that the $5 billion in federal funds allocated for the life of the program will be woefully inadequate and could leave states holding the bag if funding runs out. Roy Ramthun, resident fellow at the industry-backed Council for Affordable Health Insurance and a senior health policy advisor to President George W. Bush, estimates that about 200,000 people are now enrolled in HRPs at a cost of about $2 billion a year. While CMS estimates that 375,000 people would be covered by the new HRPs in the first year, as many as 1.3 million uninsured people have self-reported that they are in poor health and likely would qualify for coverage under the new pools, he warns.

If funding were adequate, HRPs could help health plans keep premium rates relatively low by taking care of the sickest members of the population, according to Ramthun. But without such pools, the cost of coverage for costly enrollees will need to be built into premium costs. Rather than terminating the new pools once the exchanges are operational, he suggests that they should

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be made permanent. "The better approach would be to fund the risk pools adequately, which would help keep rates lower for everyone else," he tells *HPW*. "People with chronic conditions and other high-risk issues often need a lot of special care and attention [through the HRPs]. If they're mainstreamed with everyone else [through exchanges], they might not get that level of care."

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