

## WHY HIGH RISK INSURANCE POOLS DIDN'T WORK FOR WISCONSINITES

As Congress considers options to repeal and replace the Affordable Care Act, some have proposed returning to high risk insurance pools to cover people with preexisting health conditions. State-based high risk pools were previously used in 35 states and covered 226,000 people.

Analysis of experience with state-based high risk insurance pools, has indicated that the high costs and limited benefits associated with high-risk pool coverage resulted in delayed or forgone care and adverse outcomes for enrollees. Many also accrued medical debt despite having insurance. In addition, restrictive eligibility requirements excluded many Americans with preexisting health conditions, and left them with no viable option for adequate health insurance coverage.<sup>1</sup>

In 1979 Wisconsin created the health insurance risk-sharing plan (HIRSP) which until 2014 offered health insurance coverage to Wisconsin residents who could not purchase adequate private coverage due to a medical condition, or who had lost employer-sponsored group health insurance. As of June, 2012, 21,770 individuals had coverage through plans provided by HIRSP. HIRSP is similar to the high risk insurance pools being proposed currently by Congress to cover people with pre-existing conditions.

Based on this experience with HIRSP, High Risk Insurance Pools have been tested in Wisconsin and failed to provide affordable, comprehensive insurance coverage for many people with disabilities and people with chronic medical or pre-existing conditions. These plans have the potential to put people's lives at risk. The information below summarizes some key facts about the previous program operating in Wisconsin.

### WHO WAS ELIGIBLE UNDER HIGH RISK POOLS IN THE PAST?



**Medically eligible:** People who could not obtain Medicaid, or could not obtain individual health insurance in the private market because of a pre-existing medical condition. Note: Those with access to employer sponsored insurance were not eligible, even if their insurance coverage was inadequate.



**HIPAA eligible:** A Federal Law, the Health Insurance Portability and Accountability Act of 1996 (HIPAA), required individual health insurance be available, with no pre-existing condition exclusions to individuals who had lost employer group health coverage and had exhausted their COBRA coverage. Participants had to exhaust their COBRA coverage, paying the full monthly premium for 18 months, before they would be eligible for the High-Risk Insurance Pool.



**Medicare Supplement:** People who were eligible for Medicare because they were receiving Social Security Disability Insurance, could obtain coverage under HIRSP to supplement their Medicare coverage.

### COVERAGE



Prior to the current protections for pre-existing conditions, insurers providing individual health insurance required people applying for coverage to go through medical underwriting. Under that process, a person would have to inform the insurer of their history of medical claims and any pre-existing medical conditions.



Insurers could then exclude coverage for a person if they thought their claims history or pre-existing condition created too great of a financial risk for the insurer. If a person received at least one denial from a private insurance company, they likely would be eligible to participate in the high-risk pool.

### MAXIMUM LIFE TIME BENEFIT LIMIT



The maximum lifetime benefit limit for HIRSP was \$1,000,000. In the final years of the program, the HIRSP Authority increased the maximum lifetime benefit limit to \$2,000,000.

## PREMIUMS



On the average, HIRSP premiums were 110% of what a person without a pre-existing condition would have paid in the individual health market. However, some plans were much more expensive; premiums in plans with a lower deductible could be 150% as much as the average in the individual health market. In addition, HIRSP premiums covered only 60% of medical costs and were kept artificially low because health care providers and insurers were required to pay an assessment that lowered premiums by at least 40%. Even with the subsidized rate, the costs for coverage through HIRSP were still prohibitively high for many middle and lower income Wisconsinites.

## PREMIUM SUBSIDIES



Premium subsidies were available for lower income individuals. In 2009, only 27% of people using the high-risk pool received subsidies based on a sliding scale. Subsidies discounted premiums between 15% & 43% based on income. The maximum household income to receive a subsidy in 2009 was \$32,999.

## PREMIUM BY GENDER



Women up to age 55 were required to pay higher premiums than males of the same age

## DEDUCTIBLES



Wisconsin's High Risk Insurance Pool offered plans with \$1,000, \$2,500, and \$5,000 deductibles.

## DEDUCTIBLE SUBSIDIES



Medical deductibles were reduced between \$100 and \$500 dollars depending on income.

## PRE-EXISTING CONDITION WAITING PERIOD



Most people who entered the high-risk pool had a pre-existing condition. The high-risk pool still had a six-month waiting period which could be detrimental to one's health. Most people accessing the services had chronic health conditions and significant ongoing medical expenses. Many were unable to afford the health care and supports they needed during the six month waiting period.

## WHO WAS NOT ELIGIBLE FOR COVERAGE UNDER HIGH RISK POOLS



High risk pools had narrowly defined eligibility, and excluded many people with pre-existing conditions who lacked other access to adequate insurance. Among adults aged 55 to 64, nearly 50 percent have a diagnosed significant pre-existing condition. Even among young adults aged 18 to 24, nearly 20 percent have a diagnosed significant pre-existing condition.<sup>2</sup>



Many Wisconsinites with significant medical needs were NOT eligible for HIRSP, including people with disabilities or chronic medical conditions whose employer sponsored insurance was not adequate for their needs. For example, many small businesses offer only catastrophic insurance coverage.

1 Jean P. Hall. "Why High Risk Pools (Still) Won't Work." *To the Point. The Commonwealth Fund.*  
<http://www.commonwealthfund.org/publications/blog/2015/feb/why-high-risk-pools-still-will-not-work>. 2015

2. Claire McAndrew and Katherine Stoll. Demographics of People with a Pre-existing Health Condition. Families USA. <http://familiesusa.org/blog/2014/03/demographics-people-pre-existing-health-condition>. 2014