

## FACT SHEET

March 2006

### Cover Missouri Project: Report 6

## The Missouri Health Insurance Pool: Issues for Policymakers

The Missouri Health Insurance Pool (MHIP), the state's high-risk pool, was established as a coverage alternative for residents who, due to pre-existing conditions, could not obtain individual health insurance. However, enrollment in MHIP has been exceedingly low relative to the population in need of such coverage because of various program features that tend to discourage enrollment. Missouri has been slow to adopt changes already implemented by other states to enhance the protection that high-risk pools can offer "uninsurable" residents. This fact sheet is taken from an in-depth report by the same name that outlines recommendations for Missouri policymakers to consider regarding enrollment, benefits, costs, and funding for the state's high-risk pool.

### Background of High-Risk Pools

- In the majority of states, high-risk pool enrollment represents less than 2 percent of individual market participation, yet approximately 15 percent of applicants for medically underwritten health insurance are either denied for medical reasons or offered policies that exclude particular conditions or body parts.
- A study found that due to high premiums, only 8 percent of the target uninsurable population is able to enroll in high-risk pools. The study also estimated that \$105 million in federal financial assistance could subsidize premiums sufficiently to allow 11 percent of uninsurable residents to enroll in high-risk pools.

### Federal Law and State High-Risk Pools

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) governs access to non-group coverage for people with a continuous health insurance coverage history of at least 18 months who have lost job-based coverage and exhausted their COBRA benefits (these individuals are termed HIPAA-eligible). Most state high-risk pools have adapted their programs to accept HIPAA-eligible individuals and, therefore, became HIPAA-qualified pools.

The federal Trade Act of 2002 established a new federal grant program for HIPAA-qualified state high-risk pools. In 2005, Congress reauthorized this grant program and increased available funding to \$75 million annually. Missouri's pool has not been eligible for federal assistance because it is not a HIPAA-qualified pool.

The Trade Act also stimulated changes in state high-risk pools by creating a 65 percent health coverage tax credit (HCTC) to subsidize qualified health insurance coverage for certain trade dislocated workers and early retirees. States have the option to designate high-risk pools as qualified coverage for use with the HCTC. In Missouri, an estimated 6,500 residents were potentially eligible for the HCTC as of August 2005; however, the MHIP program is currently not a qualified coverage option.

### Missouri Health Insurance Pool

- MHIP premiums are set to approximately 175 percent of standard rate premiums in the individual market; only four other state pools set premiums higher than 150 percent.
- For enrollees over age 50 with incomes at the state median (approximately \$3,500 per month in 2004), MHIP premiums constitute 10 to 30 percent of their gross income.

- Approximately 40 percent of MHIP enrollees meet their annual deductible each year and about 35 percent reach their annual out-of-pocket maximum. For these enrollees, premium savings from joining a higher-deductible plan are offset by increased cost sharing. For example, a 55-year-old male with catastrophic medical expenses would pay a total of \$15,352 in premiums and cost sharing under the “affordable” \$5,000 deductible option.

Premiums and Cost Sharing for a 55-Year-Old Male MHIP Enrollee with Catastrophic Medical Claims						
	Annual					
Deductible	+	Premium	+	Coinsurance	=	Total
\$ 500		\$11,356		\$2,500		\$14,356
\$1,000		\$ 8,712		\$5,000		\$14,712
\$2,500		\$ 6,816		\$5,000		\$14,316
\$5,000		\$ 5,352		\$5,000		\$15,352

- Under MHIP, a 12-month pre-existing condition exclusion period generally applies to new enrollees, and unlike many other high-risk pools and private health plans, the MHIP exclusion cannot be reduced by crediting prior health insurance coverage.
- MHIP is one of the smaller high-risk pools, both in absolute numbers (MHIP ranks 19th among 31 states) and as a share of individual market participants (23rd among 31 states), even though Missouri is the seventh most populous state with a high-risk pool.
- Total MHIP program revenue in 2003 was \$15.8 million. Of this, \$12.2 million came from enrollee premiums and \$3.6 million from assessments on insurers. However, because insurers receive a tax credit offset for the high-risk pool assessment, MHIP revenue from insurers directly reduces general revenue to the state.

### Options for the MHIP Program

Policymakers in state government and on the MHIP governing board could consider various program changes to increase the availability, affordability, and adequacy of program coverage for Missourians. Even modest expansions in MHIP could extend coverage to more of the sickest uninsured in the state and help reduce uncompensated care.

### **Expanding Availability**

- Policymakers could enact legislation to formally designate MHIP as a HIPAA-qualified pool, as well as a qualified coverage option under HCTC.
- Designation as an HCTC coverage mechanism could expand the number of Missourians able to claim this tax credit. Currently, only 2 percent of HCTC eligible Missourians claim the tax credit, compared to a national rate of 7 percent.
- Policymakers could also require individual market carriers to report quarterly the number of applications received and the number of denials and other adverse underwriting actions taken. These market carriers could enclose a streamlined application for Missouri's high-risk pool with their denial letters.

### **Expanding Affordability**

The Missouri pool premium cap of 175 percent of standard rates is the fifth highest in the nation. Several approaches could improve the affordability of coverage, including:

- subsidized premiums for low-income enrollees,
- across-the-board high-risk pool premium reductions,
- temporary premium relief (i.e., a premium holiday) for enrollees, and/or
- decreases in the rise of premium costs that occur because of age rating.

### **Expanding Adequacy**

Coverage adequacy is especially important for high-risk populations. Studies have found underinsured individuals are more likely than the uninsured to be bankrupted by unpaid medical bills. Financial burdens on chronically ill individuals can also delay or deter access to care. Key challenges to the adequacy of coverage under MHIP include the following:

- The very condition that renders a person medically eligible for the high-risk pool is subject to a pre-existing condition exclusion. High-risk pools in other states have taken steps to moderate or eliminate pre-existing condition exclusions.
- The 12-month exclusion period is one of the longest in the U.S. Most pools apply a six-month exclusion period.
- All state high-risk pools, except Missouri and Illinois, that impose pre-existing condition exclusions will credit a new enrollee's prior coverage to reduce the exclusion.
- Only two other states' high-risk pools (Indiana and Washington) limit covered hospital care to 180 days per year. The limit to hospital benefits affects a small number of MHIP's sickest enrollees. Full hospitalization coverage would enhance MHIP protection for enrollees against the cost of catastrophic medical conditions.
- A substantial number of MHIP enrollees reach their annual deductible and out-of-pocket limit each year. For seriously ill individuals premiums and cost sharing are more likely to be additive, not alternatives. MHIP might consider reducing the out-of-pocket limit on medical benefits to a lower level.

### **Avoiding "Crowd-Out"**

A common, constant concern of state high-risk pools is that private insurance carriers and health plans might divert expensive enrollees to the state's high-risk pool. Such "crowd out" or anti-selection runs counter to a high-risk pool's function as the coverage of last resort.

States can call on insurance regulators to investigate suspected instances of forcing high-risk individuals into the high-risk pool. In addition, periodic market-conduct examinations can also focus on the marketing, enrollment, and renewal practices of insurance carriers that may be discouraging high-cost individuals from enrolling or continuing in private coverage or steering such individuals to the high-risk pool.

### **Enhancing Revenue for MHIP**

Improving the availability, affordability, and adequacy of MHIP coverage will increase program costs. Currently, MHIP's two main sources of revenue are enrollee premiums and assessments on insurers. MHIP and state policymakers might consider the following options for funding pool losses and promoting coverage expansion:

- If the MHIP program became a HIPAA-qualified pool, the program could be eligible for an estimated \$3.9 million in federal grant funds.
- If the MHIP program was also designated as a qualified coverage option under the HCTC, then the federal government would pay 65 percent of MHIP premiums for Missourians eligible for the tax credit.
- Missouri policymakers might consider ending the tax credit offset for insurer assessments. Most states that assess insurers do not provide tax credit offsets.

### **Summary**

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Missouri has the option to adopt changes to its MHIP program that would enhance the protection that high-risk pools can offer “uninsurable” residents. An increase in MHIP enrollment, however modest, will provide significant relief to seriously ill, uninsured individuals who are able to enroll in the program. Additionally, an expansion will help reduce uncompensated care for the broader health care system.

### **About This Fact Sheet**

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The information presented here is taken from *Cover Missouri Project: Report 6: The Missouri Health Insurance Pool: Issues for Policymakers*, written by Karen Pollitz, MPP, Project Director, Georgetown University Health Policy Institute in Washington, DC. Report 6 is part of a series of research papers about the uninsured in Missouri prepared by The Urban Institute and published by the Missouri Foundation for Health.

The complete report is available online at [www.mffh.org](http://www.mffh.org). Printed copies of this Fact Sheet are available upon request while supplies last. Please contact the MFH Health Policy staff at [info@mffh.org](mailto:info@mffh.org) or toll-free at 1-800-655-5560.



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