

## Washington Blue Ribbon Commission on Health Care Costs and Access

### *Accessing a High-Quality, Affordable Health Care System*

#### **Discussion Guide: Improve Access to Coverage for High Risk Persons**

This paper provides a discussion guide for two potential options to develop a proposal for improved access to coverage for high-risk persons through Washington's high-risk pool (WSHIP) or a new reinsurance program.

#### **Hypothetical Example of Proposal for State of Washington**

Identify strategies to assure that any Washingtonian has access to insurance coverage of last resort through the Washington State Health Insurance Pool (WSHIP) or an alternative mechanism.

#### **Overview**

A strong and viable high risk pool, such as WSHIP, provides a critical avenue for the state's medically uninsurable to attain access to health insurance. The risk pool functions as much as a safety net for insurers and providers as it does for the individuals whose only access to insurance coverage is through the pool.

It helps to protect insurers in the commercial market by making insurance available to the State's otherwise uninsurable residents. While insurers are assessed to fund a portion of the costs of the pool, each individual insurer's risk is limited to the amount of their assessment.

Health care providers also benefit by the existence of a risk pool. Their risk for providing otherwise uncompensated care declines as they are assured some payment for covered services rendered to pool enrollees.

As noted above, in the absence of health insurance, individuals are much less likely to receive preventive or less costly treatments that could avoid higher cost inpatient treatment.

Approximately 3,100 Washingtonians were enrolled in WSHIP at the end of calendar year 2005. Twice as many individuals (6,334) attempted but were unable to obtain insurance coverage through the individual market. Of those, only 972, or 15%, were able to enroll in WSHIP.

By building on the current health insurance pool, adding a reinsurance mechanism and leveraging the strategies discussed under "Recommendation 1 – Cover the Uninsured," the State could increase access to health insurance for some of its sickest residents, improving their health and health care outcomes.

Two primary options could be explored to improve access to health insurance coverage for high risk persons:

- Implement a Reinsurance Program in Place of the High Risk Pool
- Strengthen the Existing High Risk Pool

### **Option 1: Implement a Reinsurance Program in Place of the High Risk Pool**

A high risk pool protects people who do not otherwise have access to health insurance coverage. An option to eliminate the high risk pool and, instead, to implement a reinsurance program, requires careful analysis.

An October 2004 Issue Brief published by Academy Health on the topic of “The Role of Reinsurance in State Efforts to Expand Coverage” concluded that:

“In most states, it is unlikely that a reinsurance program could entirely solve the complex problem of making coverage accessible and affordable for everyone...In states that use reinsurance to subsidize a primary insurance program, the reinsurance component can spread risk among participating insurers but it ultimately cannot compensate for significant adverse selection in the primary insurance program, if it occurs...”

Unless the reinsurance mechanism is implemented with a requirement that prevents insurers from rejecting applicants based on their medical history, many residents could be left without access to any insurance coverage. In addition, coverage that is offered, even with reinsurance, could result in substantial rate increases for high risk individuals. In exploring an option to eliminate the high risk pool, an analysis should detail the potential impact of the change on persons who are now enrolled or who could potentially enroll in the program.

### **Option 2: Strengthen the Existing High Risk Pool**

WSHIP reports that, in 2005, it had the highest per member per month claim amount of any high risk pool in the county. In Washington, the monthly member cost totaled \$1,418, compared to the national average for high risk pools of \$631.

To address this issue, a series of options could be explored to strengthen the existing high risk pool, making it more affordable and accessible to individuals with high health care costs that cannot obtain coverage in the individual health insurance market. This option would preserve the funding now provided through insurer assessments to support the pool, while strengthening the ability of the pool to provide access and coverage for high-cost individuals who do not qualify for Medicaid or other public programs.

#### ***Management and Control of Program Costs***

1. Disease management could be expanded beyond depression to include other high cost diseases, such as asthma, diabetes, coronary artery disease, congestive heart failure, and alcohol/substance abuse.

2. It is not clear how provider payment rates are determined and whether as an alternative, claims could be paid at Medicaid rates.
3. The State could explore the option to reinsure WSHIP against high cost claims.
4. The State could reevaluate eligibility criteria and enrollment processes for WSHIP, including the standard health questionnaire, the enrollment of children into WSHIP, and the enrollment of persons with diseases that could potentially be funded under other state and federal programs (such as HIV/AIDS under Ryan White or Medicaid).

#### ***Subsidies to Support Enrollment***

5. Cost sharing requirements, including premiums, deductibles and coinsurance provisions could be modified. For example, the standard plan 1 and PPO Plan 3 both offer a \$500 deductible plan and there is no deductible for the Medicare plans. Eliminating these very low deductible plans would reduce claims costs. Although enrollees would have higher deductibles, premiums could potentially be lowered, making the pool more accessible.
6. Additionally, the premiums currently have a floor of 110% and a ceiling of 150% of the standard risk rate. Many states set their risk pool premium floor at 150% and have a higher ceiling. The State could consider and increasing the premium floor and moving the lowest income pool enrollees to a Medicaid product.
7. The State could consider leveraging Medicaid premium subsidies to support low-income enrollees in WSHIP, and explore offering subsidies for other cost sharing requirement such as deductibles, copayments and coinsurance.