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Creation of High-Risk Pools Would Imperil the Most Vulnerable Consumers

Lawmakers seeking to replace the Affordable Care Act (ACA) are contemplating creating high-risk pools. Unlike under the ACA, in which healthy and less well consumers are insured in the same groups, this approach would establish a group that includes only those consumers with pre-existing conditions.

High-risk pools lack a track record of success despite being tested many times over, by a variety of states and in the early stages of implementation of the ACA. The evidence from those experiments is clear: high-risk pools do not work, and have historically resulted in very high premiums and onerous terms for the coverage that fail to provide the care consumers need.

It is unlikely that high-risk pools could adequately replace the ACA's guarantee of coverage, and if eligibility or coverage is limited as it has been in the past, millions of consumers will be left in the cold. Estimates are that 27% of all non-elderly consumers have pre-existing conditions that could cause difficulties in obtaining private individual market insurance if pre-ACA underwriting practices resume.[i] Those consumers with pre-existing conditions can expect to spend thousands of dollars more on healthcare each year compared to those without pre-existing conditions.[ii] Further, not having insurance can be deadly. In 2000, 17,000 Americans died due to their uninsured status, a number that rose to 22,000 by 2006, totaling around 137,000 over those seven years.[iii] In other words, a lack of insurance coverage caused an average of one death every 24 minutes.[iv]

As too many families know, prior to the ACA, the costs and inability to find coverage for those with a pre-existing condition threatened access to healthcare and wreaked financial devastation. Richard V., from California, knows that threat first-hand. During the time he was required to be uninsured to qualify for a high risk health insurance pool program, Richard suffered a medical emergency unrelated to his pre-existing condition and amassed $110,000 in medical debt.

The many documented failings of high-risk pools are outlined below.

1. **A group containing only people who are already sick means costs are not spread among a varied population and premiums are therefore exceedingly costly.**
    - If high-risk pools are created for all consumers with pre-existing conditions, the cost to maintain the pools and make coverage affordable will be astronomical. In states where high-risk pools were available before the ACA, premiums were set well above standard already high non-group market rates, usually 150%-200% greater.[v] Although some states offered subsidies or discounts for lower-income enrollees, more than half did not, placing coverage out-of-reach for many.[vi]
    - In the past, high-risk pools had to remain small due to high costs and vastly insufficient funding. States resorted to curbing costs by imposing limitations, including[vii]:
        - Capping enrollment and instituting waiting lists for coverage;
        - Excluding coverage of pre-existing conditions for medically-eligible enrollees, generally for the first 6- to 12-months;
        - Setting lifetime and annual limits: California, for example, set the annual cap at $75,000 and the lifetime limit at $750,000,[viii] extremely low amounts for those with

cancer and other life-threatening conditions, leaving patients severely under-insured;
    - Setting high deductibles, in some cases as high as $25,000,[ix] requiring patients to cover much more costs out-of-pocket;
    - Limiting the duration of time in which a consumer could be enrolled in coverage;
    - Prohibiting enrollment of policyholders' family members; and
    - Requiring that consumers first be denied general health insurance, a process which can cause life-threatening delays and be difficult to prove.

2. **High-risk pools would leave many Americans uninsured altogether.**
    - Historically, high-risk pools were severely under-funded, necessitating long waiting lists and very high premiums.
    - Prior to the ACA, nationally, just *5%* of those eligible for high-risk pools were actually enrolled.[x]
    - In real numbers, before the ACA, across the 35 states offering high-risk pools, only 226,000 consumers were actually enrolled.[xi]
    - When high-risk pools rely on waiting periods (frequently, up to 6 months to a year), consumers with pre-existing conditions who need care must make an untenable choice between foregoing care--and risking their health--or incurring medical debt.
    - Consumers that remain uninsured still must eventually seek care; when they do, they must shoulder the full cost of their care. What they cannot afford is paid for by providers (as uncompensated care), taxpayers (through government-funded programs such as DSH), and perhaps even by higher premiums among the insured.[xii]

3. **A national high-risk pool could cost trillions of dollars and is unlikely to improve the general affordability of healthcare.**
    - Prior to establishing the ACA's Pre-Existing Condition Insurance Plan (PCIP), the 35 states operating high-risk pools sustained net losses of $1.2 *billion* in 2011 alone and covered only about 226,600 consumers.[xiii] Estimates in 2008 concluded that financing a national high-risk pool could cost more than **$1 trillion over ten years**, far more than has been offered in any ACA replacement proposal to date.[xiv] Updated to reflect current healthcare costs, a more revised estimate would likely be well above $1 trillion.
    - If federal subsidies fall short, states would either need to make up the shortfall with their own funding, or scale back coverage, limit eligibility or close enrollment.
    - Decades of experience showed that funneling people into high-risk pools did not result in affordable healthcare for other people in those states.

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[i] Kaiser Family Foundation, *Pre-existing Conditions and Medical Underwriting in the Individual Insurance Market Prior to the ACA*, December 12 2016.
[ii] United States Government Accountability Office, Private Health Insurance - Estimates of Individuals with Pre-Existing Conditions Range from 36 Million to 122 Million, March 2012.
[iii] Urban Institute, *Uninsured and Dying Because of It: Updating the Institute of Medicine Analysis on the Impact of Uninsurance on Mortality*, January 2008.
[iv] *Id.*
[v]Kaiser Family Foundation, High-Risk Pools for Uninsurable Individuals, July 2016.
[vi] *Id.*
[vii] *Id.*
[viii] California Major Risk Medical Insurance Program (MRMIP) 2016 Application and Handbook, 2016 edition.
[ix] Center on Budget & Policy Priorities, Trump, House GOP High-Risk Pool Proposals a Failed Approach, November 17, 2016.
[x] *Id.*
[xi] *Id.*
[xii] The Commonwealth Fund, Realizing Health Reform's Potential; The Affordable Care Act's Pre-Existing Condition Insurance Plan: Enrollment, Costs, and Lessons for Reform, September 2012.
[xiii] Kaiser Family Foundation, *High-Risk Pools for Uninsurable Individuals*, February 22, 2017.
[xiv] Tax Policy Center, An Updated Analysis of the 2008 Presidential Candidates' Tax Plans: Revised August 15, 2008, Revised August 15, 2008, Updated September 12, 2008.