



PREMIUMS LOWERED IN FEDERAL HIGH-RISK POOL FEDERAL AND STATE HIGH-RISK POOLS PROVIDE KEY COVERAGE OPTIONS FOR TEXANS

The health of our whole state is ensured when all of us have access to quality, affordable health care—when we can count on the preventative care we need to stay healthy and see a doctor when we are sick. For many of us with pre-existing medical conditions, we can only get coverage through a high-risk pool. The Pre-existing Condition Insurance Plan (PCIP) is a federally administered high-risk pool created by the Affordable Care Act. Recently, the federal government announced changes that will help increase access to this coverage—premiums in Texas were reduced by 24 percent and applicants can now prove they have a pre-existing condition by providing a letter from a health care professional, instead of waiting to receive a rejection letter from an insurance company. PCIP is one of two high-risk pools that provide coverage options for Texans. This *Policy Page* explains both high-risk pool options in Texas—their similarities, differences, and important recent changes.

- **PCIP has lower premiums and no pre-existing condition waiting period, big advantages over THIP.**
- **A 45-year-old female non-smoker in Houston with a \$1,000 deductible plan would pay \$412/mo for PCIP and \$1,145/mo for THIP.**
- **PCIP is only open to people who've been uninsured for at least six months. THIP does not require enrollees to be uninsured.**
- **THIP's new low-income premium subsidy program is helping make premiums more affordable for about 3,000 enrollees in 2011.**

High-Risk Pools in Texas

Because state law in Texas allows health insurers to deny coverage to people with pre-existing conditions in the individual market (coverage purchased directly from an insurer, as opposed to job-based coverage), many Texans with medical conditions can only get coverage through a high-risk pool. As of January 2014, the Affordable Care Act will prohibit insurance companies from denying coverage or increasing premiums based on a person's health status or pre-existing conditions. Until then, high-risk pools will continue to provide a lifeline to tens of thousands of Texas residents who need health insurance.

Texans who cannot get health insurance in the private market due to a pre-existing health condition may be eligible to buy coverage from two separate high-risk pools: (1) the federally administered Pre-existing Condition Insurance Plan, created in 2010 by the federal health reform law, and (2) the state-administered Texas Health Insurance Pool, established in 1998.

Comparisons of Key High-Risk Pool Features

With two high-risk pools to choose from—the Pre-existing Condition Insurance Plan (PCIP) and the Texas Health Insurance Pool (THIP)—Texans with pre-existing conditions will need to compare both options and see which one best meets their needs. Though they serve a similar purpose, they have different premiums, benefits, and eligibility criteria.

Premiums

Premiums vary between the two pools. Affordability has been a limiting factor in THIP, the existing state risk pool, which by state law must charge twice as

much as the average rates charged to healthy people in the private, individual market for similar coverage. THIP premiums range from \$162-\$2,240 per month. THIP implemented a new low-income, sliding-scale premium subsidy program in January 2011 with discounts of up to 50 percent for qualified enrollees. PCIP, the new federal risk pool, charges average individual market rates, so in general, PCIP's coverage is less expensive than THIP's.¹ As of July 1, 2011, PCIP's premiums in Texas were reduced by 24 percent. PCIP premiums now range from \$133-\$572 per month.

Two High-Risk Pools at a Glance		
	Texas Health Insurance Pool	Pre-existing Condition Insurance Plan
Administered by:	Nonprofit, political subdivision of the State of Texas. Governed by a nine-member board appointed by the Texas Insurance Commissioner.	U.S. Department of Health and Human Services
Coverage first offered on:	January 1998	August 2010
Premiums: <ul style="list-style-type: none"> ▪ Relative to premiums for healthy people in the private individual market for similar coverage ▪ Low-income subsidies ▪ Full range of possible premiums 	Twice as much Yes, started Jan. 2011 \$162-\$2,240/mo*	Same rates No \$133-\$572/mo**
Pre-existing condition waiting period:	Up to 12 months	None
Eligibility: <ul style="list-style-type: none"> ▪ Must be uninsured 6 months ▪ Can have access to job-based coverage ▪ Must be a citizen or legal resident 	No In most cases, no Yes	Yes Yes Yes
Funding (in addition to enrollee premiums):	Assessments on health insurers. \$98.3 million in 2010.	Federal funding. \$493 million allocated to Texas over 3.5 years.

* THIP rates effective May 1, 2011. THIP rates vary by deductible plan level, age, gender, geography, and tobacco use. Full premium tables available at: www.txhealthpool.org/rates.html.

** PCIP rates effective July 1, 2011. PCIP rates vary only by age. Premium tables available at: www.pciplan.com/applicants/states/TX.html.

Benefits

PCIP and THIP cover primary and specialty care, hospital care, and prescription drugs. PCIP offers three plans, including a Health Savings Account (HSA) qualified option, with deductibles ranging from \$1,000 to \$2,500. All PCIP plans limit an enrollee's annual out-of-pocket cost-sharing to \$5,950 in-network. THIP's coverage is designed to be similar to commercial individual market coverage options, with deductibles ranging from \$1,000 to \$7,500 a year, including an HSA option. Depending on deductible, annual out-of-pocket limits for THIP plans range from \$4,000 to \$12,500, plus co-payments. A key benefit difference is PCIP has no pre-existing condition waiting period, while state law requires that THIP impose a 12-month pre-existing condition waiting period for enrollees who do not have at least 12 months of prior coverage. In general, PCIP has better preventive benefits, with in-network preventive care such as annual physicals, mammograms, and cancer screenings fully covered by PCIP and not subject to enrollee deductibles or co-pays.

Eligibility

With differing eligibility criteria, some Texans with pre-existing conditions will find they are eligible for only one of the two high-risk pool options. For example, PCIP is only open to people who have been uninsured for at least six months. This prevents current THIP enrollees and others with current health coverage from switching to PCIP unless they drop coverage and go uninsured for six months. THIP does not require applicants to be uninsured before enrolling, and thus will remain an

important source of coverage for Texans with pre-existing conditions who want to maintain continuous coverage. THIP will continue to serve current enrollees as well as other eligible Texans who lose coverage and cannot risk a six-month stretch without insurance coverage, such as people retiring before Medicare eligibility, exhausting COBRA coverage, or starting their own business.

If a person is eligible for both programs and can choose between the two, on balance, PCIP will generally be a better deal with lower premiums and no pre-existing condition waiting period. The following sections provide more detail on PCIP's and THIP's eligibility, premiums, benefits, and funding.

Example Premiums in THIP and PCIP			
	\$1,000 (THIP and PCIP) Deductible Plan	\$2,500 (THIP) \$2,000 (PCIP) Deductible Plan	HSA Plan \$3,000 (THIP) \$2,500 (PCIP) Deductible
THIP:			
Premium Range	\$364-\$2,240/mo	\$266-\$1,616/mo	\$266-\$1,616/mo
<ul style="list-style-type: none"> ▪ 40 Year Old Female, Houston* ▪ 60 Year Old Male, San Antonio** ▪ Child (newborn to 18), El Paso*** 	\$1,056/mo \$1,371/mo \$364/mo	\$764/mo \$988/mo \$266/mo	\$764/mo \$988/mo \$266/mo
Annual Prescription Deductible	\$200	\$200	\$1,450
PCIP:			
Premium Range	\$179-\$572/mo	\$133-\$426/mo	\$138-\$442/mo
<ul style="list-style-type: none"> ▪ 40 Year Old Female, Houston ▪ 60 Year Old Male, San Antonio ▪ Child (newborn to 18), El Paso 	\$323/mo \$572/mo \$179/mo	\$239/mo \$426/mo \$133/mo	\$248/mo \$442/mo \$138/mo
Annual Prescription Deductible	\$250	\$500	N/A****

* Premium rate for non-tobacco user in Area 6, Central Houston, THIP Rate Table effective May 1, 2011.

** Premium rate for non-tobacco user in Area 2, Central San Antonio, THIP Rate Table effective May 1, 2011.

*** Premium rate for non-tobacco user in Area 1, Central El Paso, THIP Rate Table effective May 1, 2011.

**** PCIP's HSA Option has a combined medical and prescription deductible of \$2,500 in-network.

Pre-existing Condition Insurance Plan

Overview

The Pre-existing Condition Insurance Plan (PCIP) was created by the Affordable Care Act, the new federal health reform law. U.S. Department of Health and Human Services (HHS) offered each state the opportunity to administer its own PCIP program. Governor Perry, along with 22 other governors and the District of Columbia, opted instead to let the federal government administer the new high-risk pool for their states. PCIP is a temporary plan that will operate until 2014, when health reform will prohibit health insurers from denying coverage or charging higher premiums based on pre-existing conditions.

HHS has contracted with the Government Employees Health Association to administer PCIP benefits in the 23 states and D.C. that opted for a federally administered plan. Texas PCIP enrollment started on August 1, 2010. As of April 30, 2011, 1,528 Texans were enrolled in PCIP, and 21,454 people were enrolled nationwide. PCIP information and application forms in English and Spanish are available at www.pcip.gov.

Recent Improvements to PCIP

As HHS has gained more experience with administering PCIP, it has made several improvements to the program, which will increase access to the program. HHS reduced premiums in January 2011 by about 20 percent, and then in July 2011, reduced premiums in Texas an additional 24 percent. As initially rolled out, PCIP premiums ranged from \$323-\$688/month (depending on the enrollee's age), compared to current premiums for the Standard Option, which now range from \$133-\$436/month.

HHS also increased plan options in January 2011. As initially rolled out, PCIP offered just one plan with a single \$2,500 annual in-network deductible that applied to medical care and prescription drugs. PCIP now offers three plan choices—a “Standard Option” with a \$2,000 in-network deductible, an “Extended Option” with a \$1,000 in-network deductible, and a Health Savings Account-qualified option with a \$2,500 in-network deductible. The Standard and Extended options have a separate, lower deductible for prescription drug coverage (\$500 and \$250, respectively), allowing coverage for drugs to kick in much sooner.

Since the program launched, HHS has also made it easier for potential enrollees to prove they have a pre-existing condition, a requirement for eligibility. Acceptable proof of a pre-existing condition includes a denial letter from an insurer, a letter from a health insurance agent certifying ineligibility for coverage due to a medical condition, or a letter from a health care provider certifying the presence of a medical condition (more methods for proving a pre-existing condition outlined below).

Eligibility

To enroll in PCIP, applicants must meet the following three criteria:

- Be a citizen or national of the United States or lawfully present in the United States;
- Have been uninsured for at least the last six months; and
- Have a pre-existing medical condition.

As noted above, there are several ways to demonstrate the presence of a pre-existing medical condition. Applicants can submit:

- A denial letter from an insurance company issued in the last 12 months;
- An offer of individual insurance coverage issued within the last 12 months that you did not accept that has a “rider” that excludes coverage for a medical condition you have;
- A letter from a health insurance agent dated within the last 12 months that states you are eligible for coverage because of a medical condition;
- A letter from a health care provider (physician, physician assistant, or nurse practitioner) dated within the last 12 months that says you have or used to have a medical condition; or
- For children under age 19 only, an offer of individual coverage within the last 12 months that you did not accept that has a premium at least twice as PCIP's Standard Option rate (more than \$266/month).

Premiums

The Affordable Care Act requires that PCIP premiums be consistent with average rates charged in the private market to healthy individuals, unlike THIP, which, by state law, sets rates at twice this level. Rates for PCIP are not necessarily half of THIP's because benefits and rating structures vary between the programs, but in general, PCIP premiums are much less expensive than THIP's. PCIP premiums vary only by age and plan option and range from \$133 to \$426 a month for the Standard Option. Rates by age for all three PCIP plan options are shown in the table below. PCIP does not offer subsidies for enrollees with low incomes.

PCIP Monthly Premiums in Texas as of July 1, 2011			
Age	Extended Option \$1,000 deductible	Standard Option \$2,000 deductible	HSA Plan \$2,500 deductible
0-18	\$179	\$133	\$138
19-34	\$268	\$199	\$207
35-44	\$323	\$239	\$248
45-54	\$412	\$306	\$318
55+	\$572	\$426	\$442

Pre-existing Condition Waiting Period

PCIP does not have a pre-existing condition waiting period.

Benefits

PCIP covers preventive, primary and specialty care, hospital care, and prescription drugs. PCIP offers three plan options—a “Standard Option” with a \$2,000 in-network deductible, an “Extended Option” with a \$1,000 in-network deductible, and a HSA-qualified option with a \$2,500 in-network deductible. The Standard and Extended options have a separate, lower deductible for prescription drug coverage (\$500 and \$250, respectively), allowing coverage for drugs to kick in much sooner.

In all three plans, in-network preventive services such as annual physicals, mammograms, cancer screenings, and immunizations are available with no cost-sharing (paid at 100 percent, with no deductible, co-payment or coinsurance due). Doctor visits are subject to a \$25 co-payment and other services are subject to 20 percent coinsurance if delivered by preferred providers and 40 percent for out-of-network providers. All plans have an annual out-of-pocket maximum of \$5,950 in-network and \$7,000 out-of-network. PCIP does not have a lifetime maximum. PCIP's benefits summary for all plan options is available at https://www.pcip.gov/PCIP_%20pamphlet_benefits_summary.pdf.

Funding

As with all high-risk pools, premiums alone are insufficient to cover medical claims. In addition to premiums, PCIP is funded by \$5 billion appropriated through the Affordable Care Act. Texas PCIP has been allocated \$493 million to cover pool expenses in excess of premiums through 2013. PCIP will dissolve in 2014, when health reform prevents insurers from denying coverage or charging more due to pre-existing conditions.

Texas Health Insurance Pool

Overview

The Texas Health Insurance Pool (THIP) was created by the Texas Legislature to provide health insurance to eligible Texas residents who are unable to obtain coverage from private insurers because they have a pre-existing health condition. The pool

began offering coverage in 1998, and as of June 2011, had 26,112 Texans enrolled. Complete information about THIP is available online at www.txhealthpool.org.

Eligibility

To qualify for THIP, individuals must generally be under age 65, be a Texas resident, be a U.S. citizen or legal permanent resident, have no access to employer-sponsored coverage, and meet any one of the following criteria:

- Be unable to get individual health insurance due to health reasons. Applicants can prove this with a notice of rejection by an insurer, a certification by an insurance agent that the applicant would be declined, or a diagnosis with certain medical conditions—such as cancer, heart disease, or diabetes—that would result in an insurance company rejection.
- Be able to only get an individual health insurance policy that excludes coverage for existing conditions; or
- Have had 18 or more months of previous employer-based health coverage with no gaps in coverage longer than 63 days. Such enrollees are afforded special insurance portability protections under federal HIPAA law.²

Most individuals who are eligible for job-based coverage (through their job, a spouse's job, or a parent's job), are ineligible for THIP—even if they are not enrolled in their job-based coverage—with the following two exceptions:

- Individuals transitioning from employer-sponsored coverage who have not exhausted their 18-month COBRA continuation coverage may access THIP coverage with a minimum six-month pre-existing condition exclusion period if otherwise eligible for the pool.³
- Individuals with job-based coverage who meet each of the following three conditions may elect THIP coverage: (1) they are employed part-time, (2) their employer makes no contribution toward their employer-sponsored coverage, and (3) the employer-sponsored coverage is more limited than the pool coverage. All other individuals with access to job-based coverage with limited benefits remain ineligible for the pool.

Premiums

THIP coverage is expensive. By state law, premiums are set at twice the average private, individual market rates charged to healthy people for the same coverage.⁴ Rates in the Texas individual health insurance market are not regulated—the Texas Department of Insurance has no authority to approve or reject unreasonable or unjustified rate increases. The average monthly premium in the pool is \$700 per month.⁵ Based on rating factors like age, gender, geographic area, deductible selected, and tobacco use, THIP premiums range from \$162 to \$2,240 a month. Since the pool began offering coverage in 1998, premiums have increased 10.5 percent per year on average.

Low-income Premium Subsidy Program

The high cost of THIP premiums places its coverage out of reach for many Texans, especially those with low and moderate incomes. In 2009, the Texas Legislature passed HB 2064 by Representative Smithee, which established a sliding-scale premium discount program for lower-income THIP enrollees. Premium subsidies begin to address THIP affordability issues and help it serve the purpose for which it was created—increasing access to coverage for people who are medically uninsurable.

Premium subsidies began on January 1, 2011. Premiums for enrollees with household incomes below 200 percent of the federal poverty level (FPL, currently up to \$21,780 a year for an individual, or \$37,060 for a family of three) are cut in half. Enrollees with household incomes between 200 and 300 percent FPL (\$37,060-\$55,590 for a family of three) receive 30 percent off of premiums. Pool members currently enrolled in the subsidy program have an average taxable household income of \$20,800 a year. On average, the THIP subsidy reduces premiums by about \$300 per month.

Subsidies are funded by a portion of the “prompt pay” penalties that insurers and HMOs pay to network hospitals and doctors when they pay claims late. The pool collects an average of \$575,000 a month from these penalties. The THIP board has also elected to allocate part of federal grant funds received by the pool to support the subsidy program. Together, this provides funding for the approximately 2,800 pool members enrolled currently in the low-income subsidy.⁶

Qualified pool enrollees are awarded the subsidy for 12 months, after which they must requalify for the next year. Pool enrollees receiving subsidies in 2011 will be provided with an application to requalify for 2012 later this year. Applications for subsidies were mailed in June 2011 to all pool enrollees not currently receiving a subsidy, and new pool enrollees will receive an application upon pool enrollment. THIP accepts members’ prior year’s tax returns as proof of income. THIP enrollees who are not required to file taxes or whose household income has changed substantially since filing 2010 taxes may prove income using an alternate method.

Pre-existing Condition Waiting Period

Care related to pre-existing conditions is excluded from THIP coverage for up to the first 12 months. This waiting period does not apply to THIP members who are HIPAA-eligible.⁷ For enrollees who are not HIPAA-eligible, THIP “credits” any coverage in the previous 12 months to reduce or eliminate the pre-existing condition waiting period. For example, a pool applicant with three months of recent, prior insurance coverage will be subject to a nine-month exclusion period. Applicants who were insured the full 12 months prior to THIP enrollment do not face any waiting period. THIP members who are still within their 18-month COBRA continuation period when they enroll are subject to a minimum six-month pre-existing condition exclusion period.⁸

Benefits

The pool’s nine-member Board of Directors determines the pool’s covered services, exclusions, annual deductibles, coinsurance requirements, and co-payment amounts. State law directs the board to design pool coverage to be consistent with policies available in the commercial individual health insurance market.

Covered services include hospitalization, emergency care, surgery, physician office visits, home health care, hospice care, serious mental illness services, physical therapy, and prescription drugs. Most preventive care services, including annual physicals, are not subject to deductible when provided by an in-network provider. The pool utilizes a Blue Cross and Blue Shield of Texas statewide preferred provider network. Enrollees pay 20 percent coinsurance for services delivered by preferred providers and 40 percent coinsurance for out-of-network providers. THIP offers five different deductible levels: \$1,000, \$2,500, \$3,000 (health savings account qualified), \$5,000, and \$7,500. In 2010, 71 percent of THIP members were enrolled in the \$2,500 or \$5,000 deductible plans, with enrollment split at 34 percent and 37 percent respectively.⁹ All THIP plans have a separate, lower pharmacy deductible, ranging from \$200-\$1,450 a year. Out-of-pocket maximums in THIP range from \$3,000-\$12,500 per year depending on which deductible-level plan is chosen.

All THIP plans have a \$3 million lifetime maximum. The new health reform law prohibits dollar-value lifetime limits in insurance plan years beginning after September 23, 2010, but this provision does not apply to high-risk pool coverage (to THIP or PCIP).

Funding

Because state risk pools generally serve less healthy individuals, the average claims cost per enrollee is typically quite high. No state’s risk pool relies solely on enrollee premiums to cover claims costs. THIP is financed primarily by premiums paid by enrollees and assessments on insurers and HMOs. The pool does not receive any state General Revenue funding. In 2010, THIP collected \$215 million in member premiums, and \$98 million in insurer assessments. In 2010, THIP paid out \$304

million in medical and pharmacy claims and \$13 million in administrative expenses.¹⁰ Over the history of the pool, enrollee premiums have accounted for about two-thirds of pool revenue and insurer assessments have accounted for about one-third of revenue.¹¹

Conclusion

Together, THIP and PCIP are lifelines to over 27,000 Texans, providing real help right now to Texans who have trouble getting health insurance coverage in the private market because of a pre-existing condition. They serve as a bridge to 2014 when with health care reform coverage will finally be available to all of us regardless of health status.

CPPP Health Policy Intern Courtney Weaver contributed to this report.

ENDNOTES

¹ PCIP's rates are not necessary half of THIP's because the programs have different benefits and different rating structures. For example, PCIP's coverage is more generous in terms of no pre-existing condition waiting period and preventive care with no out-of-pocket cost sharing. Differences in benefits are factored into the premiums, so even for the same deductible-level plan, PCIP premiums may not be half of THIP's. The plans also have different rate structures. PCIP premiums vary according to just five age categories and the plan option chosen. THIP has a much wider range of premium levels and premiums vary by geography, age, gender, deductible level, and tobacco use.

² The federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) requires states to adopt an approach to guarantee access to non-group coverage without pre-existing condition exclusions for "HIPAA-eligible" individuals. Texas fulfills this requirement through THIP. To be HIPAA-eligible, a person must have had at least 18 months of prior group coverage not interrupted by a gap of more than 63 days in a row, not be eligible for other public or private coverage, and must elect and exhaust any available COBRA continuation coverage or similar state continuation coverage. People with prior coverage through individual insurance are not HIPAA eligible and are not extended the same protections, though they receive credit toward the THIP pre-existing condition waiting period for the number of months insured within the year prior to enrollment.

³ This exception applies to individuals who either did not elect COBRA or state continuation coverage during the limited enrollment period or selected COBRA or state continuation and then lapsed coverage.

⁴ THIP premiums are set at twice the average rate for commercial, individual-market, health insurance sold in Texas. To determine the average market rate, referred to as the "standard risk rate," the pool's actuary surveys the five largest commercial individual health insurers to collect current plan and premium information. After accounting for varying benefit designs of individual plans in the market, the actuary determines the standard risk rate. The pool's actuary updates the standard risk rate twice a year, and pool premiums are adjusted accordingly.

⁵ Average premium for the first quarter of 2011, THIP Board of Directors Summary, May 20, 2011.

⁶ Texas Health Insurance Pool, Low-Income Premium Subsidy Program Updated Status Report as of May 20, 2011.

⁷ See endnote 2.

⁸ These members are not HIPAA-eligible because they did not elect and exhaust all available COBRA continuation coverage.

⁹ Texas Health Insurance Pool, *2010 Annual Report*, online: www.txhealthpool.org.

¹⁰ Ibid.

¹¹ THIP, Board of Directors meeting packet, Net Loss/Assessment History Summary, May 20, 2011.

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