

Update: High-Risk Pool Legislation in Congress

February 2006

Background

As the 2005 legislative session came to a close, federal funding for state high-risk pools was at the center of two distinct legislative efforts in Congress. Funding for high-risk pools in fiscal year 2006 was included in the conference report for the budget reconciliation bill (S. 1932). In addition, a separate bill, H.R. 4519, proposed to authorize federal funding for state high-risk pools over a five-year period.

The Conference Report and FY 2006 Funding

The budget reconciliation package, S. 1932, provides \$90 million for state high-risk pool funding for fiscal year 2006. Specifically, the funds allocated by the budget reconciliation bill would be provided by a direct appropriation, thus eliminating the need for Congress to act through the typical appropriations process. The bill includes \$15 million for the establishment of new state high-risk pools and \$75 million to help states cover the operational costs of existing risk pools.

The conference report was approved by both the House and Senate before the December recess. However, because Senate Democrats raised a point of order that removed several provisions from the conference report, the bill went back to the House for another vote. The final conference report passed in the House on February 1, 2006.

H.R. 4519

On December 17, 2005, by voice vote, the House passed H.R. 4519, “the State High-Risk Pool Funding Extension Act of 2005,” introduced by Rep. John Shadegg (R-AZ) and co-sponsored by Rep. Ed Towns (D-NY). The Senate approved the bill on February 1, 2006. The bill authorizes \$75 million annually for operational costs of high-risk pools and supplemental consumer benefits for fiscal years 2006 through 2010, and \$15 million in fiscal year 2006 only, for the start-up costs for establishing new high-risk pools. This legislation only authorizes the funding. Consequently, Congress will need to take the additional step of appropriating funds for 2007 and subsequent years.

H.R. 4519 represents a bicameral bill that was negotiated by members of both the House and Senate, differing from earlier bills (H.R. 3204/S. 288) only in the distribution of the grant funding for high-risk pools. A section-by-section analysis of H.R. 4519 is provided below.

Overlapping Provisions

Both bills (S. 1932 and H.R. 4519) include identical levels of funding for state high-risk pools in fiscal year 2006: \$75 million for operational costs and/or supplemental benefits and \$15 million for

pool establishment costs. Although the two bills include these overlapping provisions for fiscal year 2006, enactment of both bills will not result in twice as much funding.

Section-by-Section Analysis of H.R. 4519

	H.R. 4519, the “State High-Risk Pool Funding Extension Act” as passed by both the House of Representatives and the Senate
Definitions	<p>The term “qualified high-risk pool” describes a high-risk pool that:</p> <ol style="list-style-type: none"> 1. restricts premiums to no more than 200 percent of the premium for applicable standard risk rates; 2. provides at least two coverage options; and 3. has in place a mechanism to ensure continued funding of losses incurred from operation of the pool. <p>The term “standard risk rate” refers to a rate:</p> <ol style="list-style-type: none"> 1. determined under the state high-risk pool by considering the premium rates charged by other health insurers offering coverage in the same market; 2. that is established using reasonable actuarial techniques; and 3. that reflects anticipated claims experience and expenses for the coverage involved. [Sec 2 (g)]
Seed Grants	In FY 2006, the Secretary of HHS is authorized to make grants of up to \$1 million to states for the establishment of new high-risk pools. [Sec. 2 (a)]
Grants for Operational Losses	In FY 2006 through 2010, the Secretary is authorized to provide grants to states that operate qualified high-risk pools that: <ol style="list-style-type: none"> 1. restrict premiums to no more than 200 percent of the premium for applicable standard risk rates; 2. offer a choice of two or more coverage options; and 3. have a mechanism in effect to ensure continued funding of losses. [Sec. 2 (b)]
Allotment of Operational Grants	Grants that cover operational losses are to be allocated as follows: <ol style="list-style-type: none"> 1. forty percent of the appropriated funds, per fiscal year, will be allocated, in equal amounts, to qualifying states; 2. thirty percent of the appropriated funds, per fiscal year, will be allocated among qualifying states in a ratio reflecting the number of uninsured individuals the state bears relative to the total uninsured population; and 3. the remaining 30 percent of the appropriated funds, per fiscal year, will be divided among qualifying states in an amount that reflects the ratio of the number of individuals provided health care coverage through a state’s high-risk pool relative to the total number of individuals enrolled in all qualified state high-risk pools (a number determined by the Secretary). [Sec. 2 (b) (2)]
Supplemental “Bonus” Grants	States with qualified high-risk pools may apply for an additional “bonus” grant to provide supplemental consumer benefits including: low-income premium subsidies; reduced premiums, or other cost-sharing requirements; less stringent rules, or additional waiver authority, with respect to coverage of pre-existing conditions; increased benefits; and the establishment of disease management programs. [Sec. 2 (c)]
Rule for Pools Charging Higher Premiums	When a qualified high-risk pool charges a premium that exceeds 150 percent of the premium for applicable standard risks, the state shall use at least 50 percent of the federal grants to reduce premiums for enrollees. [Sec. 2 (b) (3)]
Authorization of Appropriations for Fiscal Year 2006	Authorizes \$15 million in appropriations to provide \$1 million grants for the establishment of new high-risk pools. Authorizes \$75 million in appropriations for grants to states to cover operational losses and provide “bonus” grants. Two-thirds of this sum is to be allocated for grants to states for operational losses and the remaining one-third is allocated for “bonus” grants to provide supplemental consumer benefits. [Sec. 2 (d) (1)]
Authorization of Appropriations for Fiscal Years 2007 through 2010	Authorizes \$75 million in appropriations for each fiscal year 2007 through 2010. [Sec. 2 (d) (2)]

Re-allotment of Funds	If, on June 30 of each fiscal year for which funds are appropriated, the Secretary determines that there are unallocated sums, the remaining funds are to be made available to qualifying states for grants to cover operational losses of high-risk pools. [Sec. 2 (d) (4)]
Reporting Requirements	The Secretary of HHS is required to submit an annual report to Congress on the grants provided by this bill. The report will include information on the distribution of grants among states and the use of funds by states. [Sec. 2 (f)]



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