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NEWS

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High Risk Pools Could Help Stabilize Individual Insurance Market If Done Right

WHA analysis says federal reform bills should include sufficient funding, allow flexibility for states, and not penalize Wisconsin

MADISON (July 13, 2017) ---- As concerns about the sustainability of the individual insurance market continue to mount, high risk pools, if properly structured, funded, and focused on preserving coverage for individuals with higher cost chronic conditions, can help bring relative stability to the individual insurance market.

That's according to comments submitted yesterday by the Wisconsin Hospital Association (WHA) in response to the federal Department of Health and Human Services (HHS) request for information about how to stabilize the insurance market. Among several recommendations, WHA says the Centers for Medicare and Medicaid Services (CMS) should support high risk pools and work with Congress to develop and fund pools to meet states' needs.

Wisconsin's former high risk pool program, the Health Insurance Risk Sharing Plan (HIRSP), has been touted both here and in Washington as an example of a successful high risk pool and potential model as Congress grapples with ways to stabilize volatile individual insurance markets.

WHA's comments to HHS are based on its own analysis of the impact and effectiveness of Washington-crafted high risk pools in Wisconsin. The report draws on Wisconsin's extensive experience and cautions that market dynamics have changed since HIRSP sunset in December 2013, including the potential impacts of new insurance market policies contained in both the American Health Care Act (AHCA) and the Better Care Reconciliation Act (BCRA).

"We had a good experience with our high risk pool in Wisconsin, in large part because it was actually administered by a separate board of directors that included provider, insurer and patient representatives who understood its singular purpose," said WHA President/CEO Eric Borgerding. "What we know from the Wisconsin experience is that to be successful, these pools must be adequately funded, but as important, the population in the pool must be stable so that the care can be well coordinated and effective. If there is a lot of jumping in and out, a lot of churn in these pools caused by other provisions in the BCRA that could lead to instability and unsustainability."

While many are pointing to high risk pools as the solution to concerns about pre-existing conditions and waivers of essential health benefits, the report describes why creating risk pools solely to address those concerns could be unsustainable. Certain elements of both the AHCA and BCRA could incent individuals to enroll in a high risk pool for a short-term or specific need, and revert back to the individual market. As a result, this "churn" could cause the pool to become less manageable and unstable.

"What we know from Wisconsin's experience is that if adequately resourced and properly focused and structured, risk pools can help address some of the instability now threatening the individual market," Borgerding said. "But saying and doing are two different things when it comes to sustaining high risk pools; the details really matter here."

The WHA report notes the individual market has historically faced challenges in maintaining stability. Risk pools could be created to take some of the higher costs and volatility with chronic conditions out of the individual market, thus lowering premiums across the board. That risk, however, would have to be subsidized. While the AHCA and BCRA include some funding for high risk pools, neither includes sufficient resources for states to establish risk pools that can be sustained.

While the BCRA is largely silent about how funding is distributed among states, WHA says the AHCA's funding formula for the largest block of funding - the Patient Safety and Stability Fund - would penalize states like Wisconsin and exacerbate concerns about state equity that are increasingly surfacing in the Obamacare repeal debate. The formula distributes funding based on incurred claims, on the number of uninsured with income below 100 percent of the federal poverty level (FPL), and it gives more funding to states that have fewer than three insurers in the exchange.

"The funding formula should be revamped," Borgerding said. "Wisconsin is nationally known for its high-quality care, which results in lower overall utilization. Distributing funding based on incurred claims disadvantages states like Wisconsin that have lower utilization." Wisconsin also has a low uninsured rate for those below the FPL, largely due to Wisconsin's hybrid approach to Medicaid expansion. Wisconsin also has a very competitive insurance market. All of these factors will actually work to Wisconsin's disadvantage when it comes to distributing funding for high risk pools under the AHCA and BCRA.

"In other words, Wisconsin would be penalized for having high-quality care, providing coverage to those with income below 100 percent and having a competitive insurance market," Borgerding said. "Everywhere we turn in these two bills, Wisconsin is essentially being penalized."

Over the past several months, WHA has advocated for premium tax credits based on income rather than age and to ensure cost sharing reduction subsidies are maintained. WHA says their analysis on risk pools does not change their recommendations in this area. WHA continues to advocate that the bills recognize states like Wisconsin for "partial" Medicaid expansions.

For more on the report:
WHA Report: Use of High Risk Pools under the AHCA and BCRA
WHA Comment Letter to HHS and CMS

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