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## Health Care Reform Update

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#### How health care reform legislation is put into action

The Patient Protection and Affordable Care Act (PPACA) has now been the law of the land for nearly one month. As you well know, at this point, many questions regarding specifics of the legislation remain unanswered. Please know that we in the health insurance industry are seeking answers just as you are — and we expect many of those answers to be clarified in the next few weeks and months.

Bills passed into law by Congress are considered a shell or intent of the law. Once Congress passes a bill and the president signs it into law, a bill is sent to the Executive Branch, where regulations (regs) are written to provide the precise details for executing the new law. In the case of the PPACA and the Health Care and Education Reconciliation Act of 2010, much of this responsibility will fall to the Department of Health and Human Services (HHS). In addition to HHS, the Department of Labor, IRS, and other regulatory agencies will provide guidance throughout the regs writing process. The initial regs are scheduled to arrive by the end of April or early May. SIHO will continue to monitor updates very closely and keep our customers and partners informed.

#### High Risk Pools for Those with Preexisting Condition

*The creation of a **high risk pool program** is included in the new health reform law to help provide affordable health insurance coverage to people who are uninsured because of pre-existing conditions. States may choose whether and how they participate in the program, which is funded entirely by the Federal government. Background on the temporary high risk pool program is below.*

#### **Eligibility**

In order to receive insurance through the temporary high risk pool program, an individual must meet the criteria established in the law. Eligible individuals must:

- Be a citizen or national of the United States or lawfully present in the United States;
- Not have been covered under creditable coverage (as defined in Section 2701(c)(1) of the Public Health Service Act) for the previous 6 months before applying for coverage; and

- Have a pre-existing condition, as determined in a manner consistent with guidance issued by the Secretary.

### **Premiums**

Premiums in the high risk pool will be affordable for participants to ensure that those who have been locked out of the insurance market have access to high-quality insurance. Premiums must be set so that they:

- Equal a standard rate for a standard population (that is, not exceed 100 percent of the standard non-group rate); and
- Do not vary by age by more than 4 to 1.

### **State Role**

The Department of Health and Human Services' (HHS) goal is to grant the flexibility needed to permit successful and expeditious implementation of the program by interested states. There are different avenues for states to carry out the statutory requirements for a high risk pool program. A state could consider the following options:

- Operate a new high risk pool alongside a current state high risk pool;
- Establish a new high risk pool (in a state that does not currently have a high risk pool);
- Build upon other existing coverage programs designed to cover high risk individuals;
- Contract with a current HIPAA carrier of last resort or other carrier, to provide subsidized coverage for the eligible population; or
- Do nothing, in which case HHS would carry out a coverage program in the state.
- HHS has asked states to declare how they intend to participate in the program by April 30, 2010. Regardless of whether or how a state participates, all Americans who meet the eligibility criteria will have the opportunity to join a high risk pool.

### **Funding**

The law appropriates \$5 billion of federal funds to support the new temporary high risk pool program. It will be available beginning on July 1, the start of many state fiscal years, until the program ends on January 1, 2014. The program is funded entirely by the federal government.

**For past issues and more on health care reform: <http://www.siho.org/en/HCR/>**

Please be aware that the regulations surrounding this legislation have not yet been finalized. These regulations usually take several months to be drafted and accepted as the intent of this legislation is understood and clarified.

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