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PROPOSED HIGH RISK POOL FUNDING LIKELY INSUFFICIENT TO COVER INSURANCE NEEDS FOR INDIVIDUALS WITH PRE-EXISTING CONDITIONS

Funding Earmarked for High Risk Pools in the American Health Care Act Will Cover 5 Percent of the Total Number of Enrollees with Pre-Existing Chronic Conditions in the Individual Market Today

New research from Avalere finds that the funding ($23 billion) specifically allocated in the American Health Care Act (AHCA) to assist individuals with pre-existing conditions will only cover approximately 110,000 individuals with a pre-existing chronic condition. If states were to allocate all the other funds in the Patient and State Stability Fund ($100 billion) toward providing insurance to people with pre-existing conditions, in addition to the funding described above (total of $123 billion), 600,000 individuals with pre-existing chronic conditions could be covered.

Approximately 2.2 million enrollees in the individual market today have some form of pre-existing chronic condition. Under the AHCA, states would be able to apply for a waiver to allow medical underwriting of individuals who do not maintain continuous coverage (i.e., let their insurance lapse for 63 days), provided the state sets up a program to provide some form of financial assistance to help high risk individuals or health plans who cover them. Medical underwriting based on health status would likely make health insurance coverage unaffordable for those individuals with pre-existing conditions, who would then require some form of public financial assistance.

“Given the amount of funding in the bill, the program can only afford a few small states to opt into medical underwriting,” said Caroline Pearson, senior vice president at Avalere. “If any large states receive a waiver, many chronically ill individuals could be left without access to insurance.”

For example, Texas alone has approximately 190,000 enrollees in its individual market with pre-existing chronic conditions, nearly 80,000 more people than the funds earmarked for the entire country would cover. Florida has 205,000, nearly 95,000 more than the funds allotted nationally amounts would cover.

The AHCA allocates $15 billion over nine years for states to establish high risk pools and cover patients who are underwritten, denied coverage, or unable to afford coverage as the result of that underwriting. The recent Upton amendment added $8 billion over five years to the Patient and State Stability Fund to assist with premiums and cost sharing for individuals with pre-existing conditions. Allocating this money equally over their timeframes provides $3.3 billion in funding for 2019, the first year such waivers would be available. This amount of money will only cover approximately 110,000 individuals with a pre-existing chronic condition.

Finally, the AHCA creates a $100 billion Patient and State Stability Fund. Funding is allocated to states per their share of insurance claims. The AHCA provides states with a variety of options for how to use the funds, including the creation of high risk pools. Under the AHCA, $15 billion

of this fund is distributed to states in 2019. This amount of money, were it all allocated to covering individuals with a pre-existing chronic condition, will only cover 600,000 individuals.

Table 1: Estimated Number of individuals with Pre-Existing Conditions in the Individual Market, American Community Survey and Medical Expenditure Panel Survey Data

State	Individuals with Pre-Existing Conditions (in Individual Market) Today
Alabama	30,000
Alaska	3,000
Arizona	48,000
Arkansas	21,000
California	301,000
Colorado	46,000
Connecticut	24,000
Delaware	5,000
District of Columbia	6,000
Florida	205,000
Georgia	72,000
Hawaii	7,000
Idaho	18,000
Illinois	87,000
Indiana	38,000
Iowa	24,000
Kansas	22,000
Kentucky	23,000
Louisiana	30,000
Maine	10,000
Maryland	37,000
Massachusetts	37,000
Michigan	57,000
Minnesota	40,000
Mississippi	19,000
Missouri	45,000
Montana	11,000
Nebraska	17,000
Nevada	19,000
New Hampshire	7,000
New Jersey	49,000
New Mexico	10,000
New York	112,000
North Carolina	86,000
North Dakota	7,000
Ohio	57,000
Oklahoma	24,000
Oregon	30,000
Pennsylvania	89,000
Rhode Island	6,000
South Carolina	32,000
South Dakota	9,000
Tennessee	44,000
Texas	187,000
Utah	29,000
Vermont	4,000
Virginia	60,000
Washington	52,000
West Virginia	7,000
Wisconsin	36,000

Wyoming	5,000
Total	**2,245,000**

METHODOLOGY

This analysis focused on the creation of high risk pools to determine the number of individuals who could be covered in such pools. While states may elect to pursue other programs, like reinsurance or premium assistance, the underlying conclusions remain the same.

To conduct this analysis, Avalere allocated the funding amounts in the AHCA to states per the methodology outlined in the AHCA's Patient and State Stability Fund. To determine the total costs of individuals with pre-existing conditions, Avalere used the 2012 average claims per enrollee from the federal PCIP program. That $32,108 average per enrollee claims cost from 2012 was then grown by National Health Expenditure estimates and projections of private personal health care expenditures through 2019.

The enrollee share of claims, assumed to be the maximum out-of-pocket (MOOP) for 2019 is then subtracted from the federal government's share of claims in the risk pool. Additionally, the enrollee's share of premiums, assumed to be held at the average lowest cost silver plan premium from 2017, grown by 10 percent through 2019, is subtracted from the federal government's costs.

The number of individuals who have a pre-existing chronic condition currently in the individual market in each state is calculated by using the CMS Chronic Conditions Data Warehouse applied to the Medical Expenditure Panel Survey (MEPS) for the individual market (using conservative estimates of the number of chronically ill). That percentage is then applied to the state by state data on the size of the individual market from the 2015 American Community Survey (ACS).

In each step of this analysis, Avalere used a conservative set of assumptions. As such, the claims costs per enrollee are more likely to be underestimated, thereby overstating the number of individuals covered under AHCA funding, than overestimated.

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