

Weekly Checkup



Weekly Checkup No. 77: High-Risk Pools Only Work When Implemented (and Funded) Sufficiently

JUNE 21, 2013

States have long used high-risk pools as a means to cover individuals with pre-existing conditions unable to get health insurance coverage on the individual market. It is a policy [favored by conservatives](#) in lieu of states' experiments with insurance market reforms that only lead to adverse selection and skyrocketing premiums. Despite its popularity with conservatives, the Affordable Care Act also included a temporary high-risk pool to run from mid-2010 through the end of 2013, after which those with pre-existing conditions could purchase policies on the exchanges. However, the pools suffered from two related problems, they were underfunded, and they required applicants to be uninsured for 6 months prior to gaining coverage—which only results in higher health care costs down the road.

Similar to the exchange provision, states were given the option to run their own high-risk pool or have the federal government set one up. In both cases the pools have been unable to continue enrolling patients through 2013. As shown in Figure 1, the \$5 billion appropriated was intended to cover 300,000-375,000 people over 3.5 years (mid 2010 through the end of 2013), and according to the [New York Times](#) in 2010, “the government’s health care actuary projected that hundreds of thousands of otherwise uninsurable people would rush to gain coverage this year.” This prediction was likely based on the success of past experiments with state-based pools.

Perhaps because of the requirement to be uninsured for 6 months, which is very difficult for someone with an active health condition, only 130,000 patients enrolled over the life of the pools. However, half of the projected enrollees did not turn out to equal half the cost. Instead, the [patient’s average costs were much higher than projected](#) and as shown in Figure 2, enrollment had to be [halted in February of 2013](#), 11 months early, in order to preserve benefits for the 100,000 enrolled at the time.

Figure 1: Projected Enrollment vs. Actual Enrollment

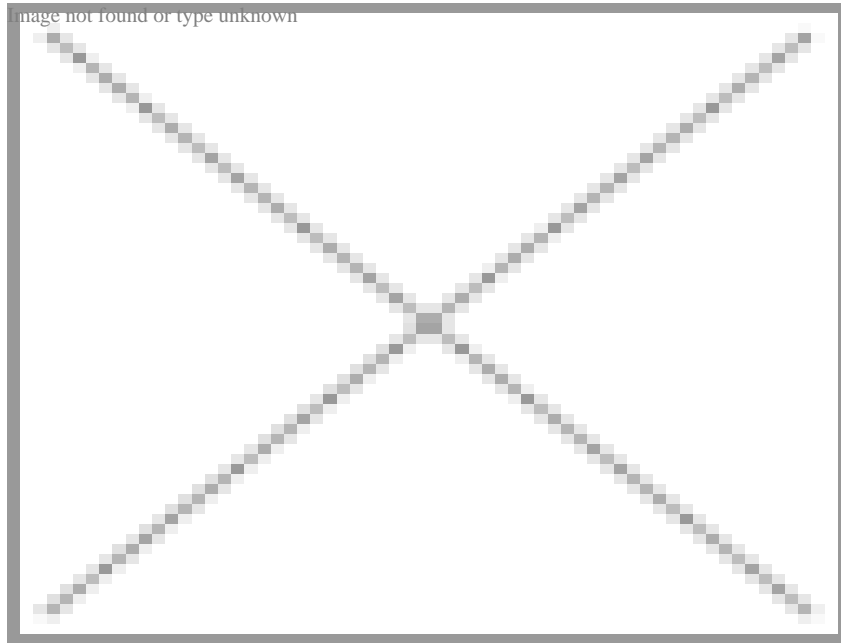
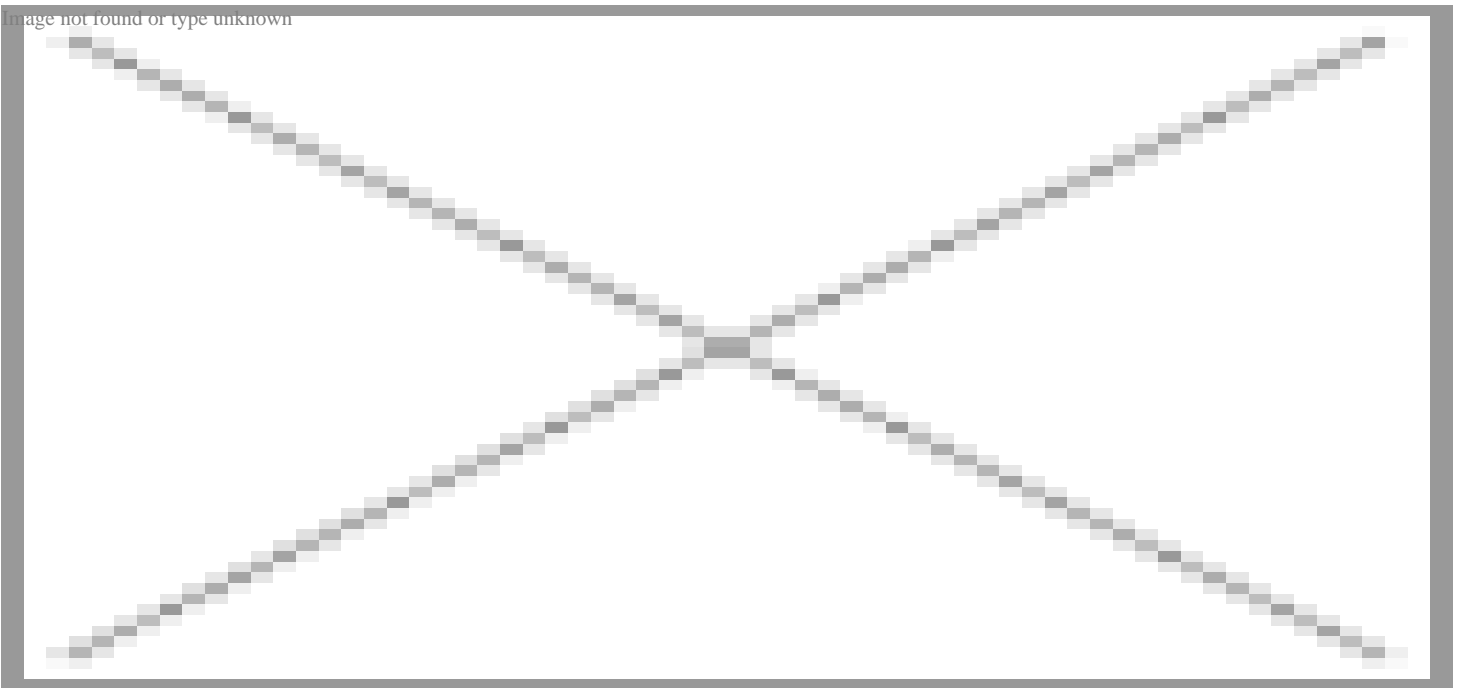


Figure 2: Timeline of the Federally Administered High-Risk Pool Actions



Throughout the health care system there are sound ideas that do not always work as planned when implemented; with a lack of funding, misaligned incentives, or poor scalability as likely culprits. The federal high-risk pool is one such example, and at the least it should be funded to ensure coverage for patients through the intended period. Most importantly, high-risk pools should remain on the list of good policy ideas that focus on aiding those falling through the cracks of the free market, rather than remaking or negating the market.