



Federal Insurance Pool Could Be Risky Proposition for Taxpayers

Date 2010/8/24 9:26:06 | Topic: State

D.C. offers higher benefits, lower premiums ... and can't pay its way

By Karen Welsh | Carolina Journal

RALEIGH □ Two plans. Two options. Too many?

North Carolina and the federal government now offer separate, side-by-side plans to provide health insurance to individuals with pre-existing conditions. Insurance providers often find these individuals too expensive to cover under traditional plans, so the high-risk pools are set up to reduce some of the costs of coverage.

To date, 4,162 individuals have registered in the state program, paying an average of \$561 a month, and 158 have enrolled in the federal pool, paying one-third less than those enrolled in the state pool.

Both options are considered temporary, stopgap measures until the Affordable Care Act takes full effect in 2014.

Michael Keough, executive director of Inclusive Health, the umbrella organization that administers both programs, said there are 100,000 people in North Carolina with pre-existing conditions who are eligible for either the state or federal option.

He said the state was taking on subscribers at a slow but steady rate before the federal option opened for enrollment July 1. The federal pool, however, offers not only lower premium rates, but also better benefits, and □ in some cases □ subsidies, enticing those entering the high-risk pool to skip the state plan in order to save money.

- The state option is a great benefit to those with pre-existing health conditions, □ Keough said.
- The federal plan is even better. It □s all good. They are a step in the right direction for health care. □

But the federal option has some critics concerned about its sustainability □ and its likely burden on taxpayers.

Joseph Coletti, director of health and fiscal policy studies at the John Locke Foundation, said the original North Carolina high-risk health insurance pool, which made its debut 18 months ago to the residents of the state, made sense in the way it was funded.

- The state option is not being paid for by our taxpayer □s pocket, □ he said. □ The bill provided

fiscally prudent language. It was not set up with tax money and it's not subsidizing people.

Responsible state pool

North Carolina Insurance Commissioner Wayne Goodwin said he and a number of legislators worked together to create a responsible state pool.

"I'm always trying to find the most fiscally prudent route for insurance," he said. "That was the case here. It was good business sense. It's good government."

Both Keough and Goodwin said the state option was set up and funded initially with a one-time, \$5 million transfer from the Health and Wellness Tobacco Trust Fund. Premiums are expected to allow the program to be self-sustaining.

There are also safeguards built into the state option, including, Keough said, a well-defined contingency plan if funds become too low.

"Our planning is done here in advance and we manage the money very carefully," he said. "It's been in all of our conversations and our contract that we have a plan. If worse comes to worst, we can freeze our enrollment at 8,000. That's how many we think we can cover and we'll watch that like a hawk — very carefully."

Keough doesn't think North Carolina taxpayers are at risk in subsidizing the program in the future.

"They won't have to kick in," he said. "I don't see that happening."

Fed plan costs more

In comparison, the federal high-risk health insurance pool costs less and is subsidized with federal taxes, making it more and more appealing and popular to people with pre-existing conditions.

To date, Congress has authorized \$5 billion for the federal option, promising North Carolina \$145 million of the pie.

Coletti said that is not nearly enough.

"The \$5 billion is supposed to last through 2013," he said. "But the federal program really needs \$20 billion or it's going to run out."

A report released in July by the Robert Wood Johnson Foundation in Princeton, N.J., said the federal option is woefully underfunded and is likely to run out of money sometime next year, especially as more people who are qualified to sign up take advantage of the program.

Richard Foster, chief actuary for the Centers for Medicare and Medicaid Services has also noted that enrollment numbers have exceeded expectations and the \$5 billion probably will run out by 2012.

In an article titled "Bad Medicine: A Guide to the Real Costs and Consequences of the New Health Care Law," Cato Institute Senior Fellow Michael D. Tanner said studies have projected federal taxpayers can expect to pay up to \$40 billion or eight times as much as was originally budgeted in additional costs to keep the federal high-risk pool operating through 2014.

State enrollees must wait to switch

Keough said individuals may find the federal pool more enticing than the state option. But those currently covered by the state program must wait six months before enrolling in the federal plan, making it prohibitively costly to switch.

Those who currently have the state option are considered covered, Keough said. They cannot opt for the federal option, not unless they are willing to go without coverage for six months. That's a risky proposition for someone who has high-risk health problems to go without insurance for six months.

Keough has heard rumors that the federal pool cannot survive on its present funding, but he has hopes the money will hold out, especially since both the state and federal options have been slow getting established in North Carolina.

I've heard a lot of talk nationally of the adequacy of that funding, he said. I don't think it's as big a problem as people fear. I think [the pools] are going to ramp up more slowly than people think. I think it's going to take work getting the word out there and to get people signed up.

Although the state plan is more expensive in the short run, Coletti maintains it's the best and safest plan for consumers.

The federal plan is generous, but it will run out of money, he said. The state plan is set up in a better way to survive. Its financial status is better than the federal plan, however while the federal plan exists it is a better deal for patients.

Goodwin said Inclusive Health will continue to administer both plans.

It's easier on the consumer to operate both pools together, he said. It's the most efficient decision.

Karen Welsh is a contributor to Carolina Journal.

This article comes from Lincoln Tribune
<http://www.lincolntribune.com>²

The URL for this story is:
<http://www.lincolntribune.com/modules/news/article.php?storyid=20448>³

Links

1. <http://www.lincolntribune.com/images/logo.gif>
2. <http://www.lincolntribune.com/>
3. <http://www.lincolntribune.com/modules/news/article.php?storyid=20448>