Do State Health Insurance Risk Pools Make a Difference?

Study of state high-risk pools' impact on access to health insurance

SUMMARY

From 1991 to 1994, researchers at University of North Carolina at Chapel Hill, School of Public Health evaluated the extent to which eight state risk pools that were established in 1988 or earlier have increased access to health insurance and health care.

State risk pools are designed to provide a source of affordable coverage for two segments of the uninsured population: individuals previously denied coverage because of pre-existing medical conditions and those who want to purchase coverage but are unable to find a policy at a reasonable cost.

This project was part of the Robert Wood Johnson Foundation (RWJF) national program Changes in Health Care Financing and Organization (HCFO) (for more information see the Program Results Report).

Key Findings

The analysis showed that:

- The eight risk pools were fairly representative of the national experience for risk pools, tending to target middle- and high-income non-elderly individuals with uninsurable diseases.

- Although the pools have increased access to health insurance and medical care for some individuals, enrollment as a proportion of the eligible population has been low.

Funding

RWJF supported this project through a grant of $404,281.
THE PROBLEM
The first state risk pools were established in 1976. These state-sponsored health insurance programs were designed to provide a source of affordable coverage for two segments of the uninsured population: individuals previously denied coverage because of pre-existing medical conditions and those who want to purchase coverage but are unable to find a policy at a reasonable cost.

This latter group includes a cross-section of individuals who must purchase insurance directly for themselves—such as the self-employed and persons working in small firms that do not provide health insurance coverage.

State risk pools have successfully extended health insurance coverage to more than 200,000 persons who otherwise might not have had coverage. But that success has not come easily. Risk pools have faced a number of challenges in their struggle to keep premiums affordable and ensure that risks are spread adequately.

THE PROJECT
To evaluate the extent to which risk pools have increased access to health insurance and health care, the grantee analyzed enrollment and utilization trends for the period 1988 through 1991 in eight risk pools established in 1988 or earlier.

The pools are in Connecticut, Florida, Iowa, Minnesota, Nebraska, North Dakota, Washington, and Wisconsin.

The investigators used program records and claims and enrollment data from each risk pool to examine trends in four areas:

- The characteristics (e.g. eligibility criteria, benefit packages, pre-existing condition limitations) and experience of the pools.
- Disenrollment patterns.
- Health care utilization patterns and expenditures over time, including those related to enrollees' pre-existing medical conditions.
- Current and potential effects of managed care techniques used by the pools.

FINDINGS
Their descriptive analysis of the risk pools in these eight states shows that they are fairly representative of the national experience for risk pools. They tend to target middle- and high-income non-elderly individuals with uninsurable diseases. Although the pools have
increased access to health insurance and medical care for some individuals, enrollment as a proportion of the eligible population has been low.

Other key findings are:

- **These risk pools enrolled an older population.** The percentage of enrollees over age 50 ranged from 39 to 58 percent.

- **The majority of the risk pools experienced high rates of enrollment during the study period.** Six of the risk pools at least doubled in enrollment; however, the high growth rate did not continue beyond 1991.

- **Disenrollment rates for most of the risk pools increased from 1988 through 1991 and at least some of the disenrollments were related to rising premiums.** In the states studied, between 40 and 70 percent of enrollees disenrolled within two years. The most frequently cited reason for disenrollment from 1988 through 1991 was non-payment of premium. While it was impossible to determine from the data if a person found coverage elsewhere or if coverage was dropped because of premium costs, increased disenrollments occurred at the same time as states experienced premium increases. Principal investigator Sally Stearns, PhD, commented that these disenrollment patterns provide evidence that state risk pools may no longer be affordable for many of the people they were originally designed to serve.

- **The lowest-risk enrollees—who had no prior health claims or pre-existing conditions—were more likely to disenroll in any given month than were the higher-risk enrollees.** According to Stearns, this "adverse selection," which leaves a high-risk population in the pool and decreases the subsidy from the lower-risk enrollees, could threaten a pool's viability. Aggregate claims data from several risk pools showed that fewer than 5 percent of enrollees accounted for 50 percent of expenditures during the study period. Therefore, the relatively healthy people in the risk pool were clearly subsidizing the less healthy enrollees because the pools were making a profit from the healthy enrollees (i.e., premiums exceeded claims paid).

- **Risk pools have attempted to control losses and expenditures by limiting benefits and placing caps on enrollment or annual expenditures per enrollee.**

The researchers noted that the disenrollment trends in the state risk pools they studied are troubling and highlight the difficulty of accomplishing the competing goals of maintaining affordability and providing coverage for the uninsured.

**Communications**

An article, "State Risk Pools and Mental Health Care Use," was published in *Health Affairs* in Fall of 1995. Presentations were made at several meetings. See the Bibliography.
BIBLIOGRAPHY

(Current as of date of the report; as provided by the grantee organization; not verified by RWJF; items not available from RWJF.)

Articles


Presentations and Testimony


"Premium Increases and Disenrollment from State Risk Pools." Paper presented at the Association for Public Policy and Management (APPAM) Meeting, October 27, 1994, Chicago. (An earlier version of this paper was presented as a poster session at the Association for Health Services Research Meeting in San Diego, June 1994.)
