

Appendix N. Other States' Financing Methods

The following is a summary of the methods states use to finance their risk plan.

Alaska: Alaska Comprehensive Health Insurance Association

The plan is funded through subscriber premiums and assessments to association members. Assessments are made in proportion to the percentage of total health insurance premiums each member writes in the state.

Arkansas: Arkansas Comprehensive Health Insurance Plan

Insurers are assessed for net losses in proportion to their share of total health insurance premiums received in the state during the year.

California: California Major Medical Risk Program

The plan is funded through subscriber contributions and the Major Risk Medical Insurance Fund. \$40 million is deposited annually in the fund from the State Cigarette and Tobacco Products Surtax Fund.

Colorado: Colorado Uninsurable Health Insurance Plan

As of 1993, the Colorado Uninsurable Health Insurance Plan (CUHIP) began receiving payments from the Business Association Unclaimed Property Fund, a fund that includes unclaimed wages, utility deposits, and gift certificates. In 1995, proceeds from insurance policies where no beneficiary can be located also began going to CUHIP.

Connecticut: Connecticut Health Reinsurance Association

Carriers are assessed for plan losses based on their share of health insurance direct claim volume in the state.

Florida: Florida Comprehensive Health Association

From 1983 through 1989, insurers were assessed for pool losses, however the assessments were allowed as a tax credit offset. The credit could be applied toward premium taxes and income taxes payable to the state at a rate of 20 percent credit per year, over a five-year period. This offset was repealed in 1989. Since 1992, the total assessment to a member does not exceed 1 percent of the insurer's health insurance premium earned in the state during the calendar year preceding the year the assessments are levied.

Illinois: Illinois Comprehensive Insurance Plan

Illinois directly pays the cost of its risk plan from the state's General Revenue funds. The state placed a cap on the number of eligibles able to participate in the plan, thereby

controlling the amount of money contributed to the program. Since 1989, the cap has been raised four times. In 1997, the plan also began serving as an acceptable alternative mechanism for the individual market to meet HIPAA requirements. The HIPAA-CHIP program is funded by an assessment of all health insurers, and there is no enrollment limitation for these federally eligible individuals.

Indiana: Indiana Comprehensive Health Insurance Association

Assessments are for net losses in proportion to the share of total health insurance premiums received in the state during the year. These assessments are offset against income taxes or premium taxes in the year of the assessment or following years. Insurers may also include in premium rates an amount to recoup assessments.

Iowa: Iowa Comprehensive Health Association

Association members are assessed for losses in excess of those covered through premiums and the Health Insurance Trust Fund. Assessments are offset against premium taxes or other state taxes. Offsets are granted at the rate of 20 percent per year over five years.

Kansas: Kansas Uninsurable Health Insurance Plan

Insurers may be assessed to recoup net losses. Only 80 percent of assessments may be offset against premium taxes, and no credit was allowed during the first four years of operation of the plan. The commissioner was authorized to borrow up to \$500,000 per year for those four years to fund the plan's implementation and initial operations.

Louisiana: Louisiana Health Insurance Association

Louisiana funding is through the state's General Revenue funds. In addition each patient admitted to a hospital for treatment (other than psychiatric care or alcohol or substance abuse) is assessed a service charge of \$2 per day for inpatient admissions and \$1 for outpatient procedures. Those covered by; the state employees group benefits program, a program subsidized directly by the federal government, or an insolvent insurer are exempt from the service charge. This service charge has been challenged and found to be pre-empted by ERISA exemptions. As a result, legislation has been passed to provide that if the insurance arrangement does not pay the service charge, it may be collected from the patient.

Minnesota: Minnesota Comprehensive Health Association

Health insurers are assessed for net losses in proportion to share of total health insurance premium received in the state during the year. Each assessment is based on the ratio of the contributing member's total amount of accident and health insurance premium received from or on behalf of Minnesota residents, divided by the total cost of accident and health insurance premium received by all association contributing members from or on behalf of Minnesota residents, as determined by the commissioner of commerce for

the state of Minnesota. The 1997 legislature appropriated \$15 million per year for the next two years to offset MCHA's losses. The funding will come from the State "Health Care Access Fund" which is funded by a 1.5% tax on hospital and provider charges in the state. Because self-insured employers must pay the 1.5% tax, they will now indirectly contribute to MCHA funding.

Mississippi: Mississippi Comprehensive Health Insurance Risk Pool Association

Mississippi uses an assessment to insurers.

Missouri: Missouri Health Insurance Pool

Insurers conducting health insurance business within the state will be assessed for losses of the plan according to the volume of business conducted within the state. These assessments will be offset through a tax credit against premium taxes paid.

Montana: Montana Comprehensive Health Association

Licensed carriers are assessed for net losses in proportion to share of total health insurance premiums received in the state during the year. Assessments are offset against premium taxes in the year of assessment.

Nebraska: Nebraska Comprehensive Health Insurance Pool

Association members are assessed for net losses in proportion to share of total health insurance premiums received in the state during the year. Assessments are offset against premium taxes in year of assessment or following years.

New Mexico: New Mexico Comprehensive Health Insurance Pool

The proportion of participation of each member in the pool shall be determined annually by the board based on annual statements and other reports deemed necessary by the board and filed with the member. Any deficit incurred by the pool shall be recouped by assessments apportioned among the members of the pool pursuant to the assessment formula, provided the assessment for any pool member shall be allowed as a 30 percent credit on the premium tax return for that member.

North Dakota: Comprehensive Health Association of North Dakota

Association members doing more than \$100,000 in accident and health insurance business within the state are assessed for net losses of the pool. These members are allowed a direct offset against premium taxes in year of assessment.

Oklahoma: Oklahoma Health Insurance High Risk Pool

Association members are assessed for net losses in proportion to their share of the total health insurance premiums received in the state during the year. Assessments are offset against premium taxes in the year of assessment or following years.

Oregon: Oregon Medical Insurance Pool

Insured premiums; assessment of reinsurers and insurers; expenditure limitation

South Carolina: South Carolina Health Insurance Pool

Insurer members are assessed for net losses in proportion to share of total health insurance premiums written in the state during the preceding calendar year. Assessments are offset against premium or income taxes in year of assessment or following years. If the offset exceeds \$5 million in any one year, premiums of the plan must be raised to assure that the offset does not exceed \$5 million in the following year.

Tennessee: TCHIP TennCare

Financed by pooling current federal, state, and local expenditures for indigent health care.

Utah: Utah Comprehensive Health Insurance Pool

Utah Senate Bill 60 of 1997 requires an adjustment to the pool premium rate each July 1st. The increase is based on the average increase of the small employer rates for the five largest insurance companies that provide health plans to small employers. State Comprehensive Health Insurance Pool Enterprise Fund; Legislature appropriations.

Washington: Washington State Health Insurance Pool

Association members are assessed for net losses in proportion to share of total health insurance premiums received in the state during the year. Assessments are offset against premium taxes in year of assessment or following years.

Wisconsin: Wisconsin Health Insurance Risk Sharing Plan

Association members are assessed for net losses in proportion to share of total health insurance premiums received in the state during the year; legislature appropriations.

Wyoming: Wyoming Health Insurance Pool

Association members are assessed for plan losses based on their share of health insurance premium volume in the state. Also to be assessed are any self-insurers not governed by ERISA law. The state will grant a credit against any premium tax owed to the state toward the assessment paid. However, the total credit allowed by all members cannot exceed \$1,625,000 in any one year.

Source: Communicating for Agriculture and NASCHIP, *Comprehensive Health Insurance for High-Risk Individuals: A State-by-State Analysis*, Fourteenth Edition. Bruce Abbe, Ed. (Fergus Falls, MN: Communicating for Agriculture and the Self-Employed, 2000).