Chapter 11.
The Texas Health Insurance Risk Pool

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Background

Currently in Texas there are experts, practitioners, academics, and community leaders searching for more affordable, effective ways to provide health care to those living without health insurance coverage. In this environment of change and growth it is important that consumers understand their options in order to receive the best health care possible.

There are several ways Texans can receive the benefits of health insurance. Working Texans and their families may have the option of obtaining insurance from an employer. Employer-provided insurance is often less expensive than individual insurance and may offer broader coverage than other plans.[1] If health insurance is not available from an employer, a person may look elsewhere for group coverage, or when group insurance is not available, may choose to purchase an individual health insurance plan. Iindividual market rates tend to be higher than group rates, however, and there is a greater chance of being turned down for preexisting medical conditions.[2]

At this time there are public programs designed to cover low-income families, children, elderly individuals, and individuals with severe disabilities. If someone does not fall into a category covered by a public insurance program, and is unable to buy coverage due to a medical condition, he or she may be able to participate in the Texas Health Insurance Risk Pool.

A high-risk pool is one of three methods used by states to comply with federal Health Insurance Portability and Accountability (HIPAA) regulations. Passed in 1996, this legislation mandates portability and guaranteed renewal of insurance in all states for people going from group coverage to group coverage or from group to individual coverage. A risk pool may serve as a state's market mechanism for portability in the individual market.[3]

A risk pool generally is defined as a state-created, nonprofit association offering comprehensive health insurance benefits to individuals with preexisting health conditions. The pool can include people who have been denied coverage in the private market due to a chronic illness or condition, or those who are unable to find coverage for less than what is available from the pool.[4]

In short, participants in the risk pool pay higher-than-average premiums for insurance coverage because they already have medical conditions preventing them from being covered elsewhere. When the aggregate medical expenses exceed the money paid in by

participants, the pool picks up the bill. The pool may pay for this service by collecting funds from health insurance companies through assessments or by other means.

There are 29 states other than Texas that now operate risk pools, including Connecticut and Minnesota, whose state legislatures put into operation the first high-risk health insurance plans 25 years ago. According to a state-by-state analysis conducted by Communication for Agriculture, Inc., in cooperation with the National Association of State Comprehensive Health Insurance Plans, risk pools are a proven, effective means of providing health care security, while minimizing disruptions to the rest of the individual insurance market.[5]

States form high-risk pools to serve people who have been denied coverage in the private insurance market. States with a substantial self-employed population, or which have many small businesses that often do not offer health insurance coverage, have a greater need for such an arrangement. While high-risk pools charge a premium higher than for normal group coverage, such premiums rarely cover the cost of covering the enrollees.[6] Examples of various states' risk pool programs can be found in Appendix K.

The Texas Health Insurance Risk Pool

The Texas Health Insurance Risk Pool (THIRP) was originally created by the Texas Legislature to provide health insurance to Texas residents who either cannot obtain adequate health insurance coverage as a result of their medical conditions or are considered "Federally Eligible Individuals," as defined by HIPAA.[7] It is a nonprofit, unincorporated political subdivision of the State of Texas and is not tax supported.

The pool was originally created through legislation enacted in 1989. At that time, however, the necessary funding was not appropriated. After the passage of HIPPA, the Texas Legislature in 1997 revised the statute and provided for start-up funding along with an amended mechanism for assessments to fund the pool.[8]

The legislature was guided by these findings: (1) medically uninsurable Texans face critical problems with respect to health care coverage, access to care, job mobility, and family impoverishment arising from health status; and (2) competitive forces in the marketplace for health insurance will operate over time to increase the number of medically uninsurable persons.

The legislature's goals in creating the health pool included: (1) providing access to quality health care at minimum cost to the public, to relieve the insurable population of the disruptive cost of sharing coverage, and to maximize reliance on strategies of managed care proven by the private sector to be effective; and (2) maintaining the availability of traditional health insurance to consumers who are currently eligible for these policies.[9]

Alternatives to the High Risk Pool

Under HIPAA, Texas and other states were given various choices for changes in state law to conform to the federal law. Conformance to the federal law ensures that states retain the right to regulate health insurance. States had options to (1) provide for guaranteed issue of individual health insurance (with no rate constraints by law); (2) enact and/or modify laws to implement a health insurance risk pool in accordance with the new law (with rates capped at a maximum of 200 percent of average); or (3) enact another type of risk-spreading mechanism.

If a state chooses to adopt guaranteed-access regulations, then every carrier choosing to remain in the individual market has to accept anyone who applies. This may cause problems for insurance carriers, especially in the individual market or as the groups covered become smaller. Eleven states have adopted guaranteed-issue laws, and in each of these states there is some form of risk-sharing to try and ease the adverse selection problems faced by insurers.

Most of the states offering guaranteed issue have experienced an exodus of carriers who serve the individual market. For example, in Kentucky more than 40 carriers have left the individual market since guaranteed-issue legislation passed in 1995. Many of Kentucky's reforms were revised in 1998 in order to attract more companies back to the state's individual market. In 2000, Kentucky became the 29th state to establish a high-risk pool.[10]

Guaranteed issue can also have the unintended effect of encouraging individuals to wait to buy insurance until they get sick, and then drop coverage after their claims have been paid. Iowa, Utah, and Washington have chosen to have a combination of guaranteed issue and high-risk pool.[11]

Organization

The Texas Risk Pool Board consists of nine members appointed by the Commissioner of Insurance for staggered six-year terms.[12] The board is composed of at least two, but no more than four, people affiliated with an insurer and authorized to write health insurance in Texas, as well as at least two people who are insured and reasonably expected to qualify for coverage by the pool. The remaining members of the board can be individuals such as a physician licensed to practice in this state, a hospital administrator, an advanced nurse practitioner, or someone from the general public who is not employed by or affiliated with the health insurance industry.[13] One of the appointees is designated by the insurance commissioner to serve as chairman of the board.

The board, aided by its executive director, his staff, and consultants, has the responsibility of selecting a third-party administrator (TPA) or insurer to provide services relating to the risk pool's function. The administrator's responsibilities include:

- performing eligibility and administrative claims payment functions, including enrollment;

- establishing a billing procedure for collection of premiums;

- performing functions necessary to assure timely payment of benefits, including providing information relating to the proper manner of submitting a benefit claim and evaluating the eligibility of each claim for payment;

- submitting regular reports to the board relating to the operation of the pool, as well as a yearly report detailing the net written and earned premiums, expense of administration, and paid and incurred losses of the pool.[14]

Currently, the TPA is paid a monthly per-member flat fee designed to reduce the incentive to raise premiums.[15] The total amount of administrative costs and fees paid to the administrator may not exceed 12.5 percent of the gross premium receipts of the pool for the calendar year. The insurance commissioner may approve payment of a higher amount, not to exceed 15 percent of the gross premium receipts, if it is determined that the higher amount is necessary to pay the administrative costs and fees of the pool.[16]

Third-party administrators and insurers compete in a bidding process established by the board. Administrators are selected based on efficiency in claims-paying procedures, ability to contract with providers across the state, and ability to administer the pool in a cost-efficient manner. Financial stability and an estimate of total charges for administering the pool are also taken into account. Administrators serve for a term of three years, after which the board reinstitutes the bidding process.[17]

The executive director and his small staff oversee the daily operations of the risk pool. While the third party administrator provides such services as enrollment, customer service, premium billing, and claims processing, the executive director is responsible for oversight of the TPA.[18] The executive director also administers the annual assessments of insurers to fund the shortfall and oversees consultant actuaries and an attorney.

Currently, Blue Cross Blue Shield of Texas is under contract with the pool as a TPA. Blue Cross Blue Shield, along with its preferred provider, Blue Choice, was selected because of its accessibility over a statewide area. Blue Cross Blue Shield's contract was renewed for another three-year term in January of 2001.[19]

Eligibility

Individuals who are not eligible for group coverage are eligible for health pool coverage in Texas if they are under age 65, legal residents of Texas (for at least 30 days) and United States citizens, and if they provide the health pool's administrator evidence of at least one of the eligibility conditions listed below.

Individual are also eligible for health pool coverage if they are under age 65, continue to be legal residents of Texas, and have maintained health insurance coverage for the 18 months preceding application for coverage to the health pool, with no gap in coverage of greater than 63 days, provided the last health insurance was through an employer-sponsored plan, church plan, or government plan. This is the only category where U.S.

citizenship is not required. Persons eligible in this category are also required to provide the health pool's administrator evidence of at least one of the eligibility conditions listed below.

The eligibility conditions are:

- rejection or refusal by an insurance company to issue substantially similar individual health insurance, due to health reasons;
- offer by an insurance company to issue substantially similar individual health insurance only with a conditional rider(s), which excludes coverage for a medical condition, or at a premium rate greater than the current rate charged by the pool;
- diagnosis of one of the medical conditions determined as a condition for automatic eligibility by the board;
- certification from an agent or representative of an insurance company, on the pool's Agent Certification form, that states the applicant will be declined for coverage by an insurance company, due to a medical condition.

The following are reasons for enrollment and the percent of the 7,305 Texans who enrolled in the pool during 2000 for each reason:

- HIPAA-eligible—37 percent
- Declined in individual market—18 percent
- Agent certification—16 percent
- Qualifying medical condition—13 percent
- Dependant—10 percent
- Up-rated premiums—4 percent
- Riders or higher premium rates—2 percent.

Dependents are eligible for health pool coverage at the same rates as high-risk individuals. If the eligible person is a child, family members of the child who remain legal residents of Texas and United States citizens, and who reside with the child, are also eligible for health pool coverage.[20]

In many cases the pool is the only option for someone with a preexisting condition who does not qualify for Medicaid or SSI. However, the policy "does not pay benefits for any charges or expenses for any preexisting condition unless the individual was continuously covered for an aggregate period of 12 months under Creditable Coverage that was in effect up to a date not more than 63 days before the individual's effective date of coverage through the health pool (excluding any waiting period under the prior health coverage) provided that the individual's application for coverage through the health pool was made no later than 63 days following termination of the prior health coverage."[21] The purpose of this waiting period is to prevent individuals from waiting until they have

a claim to take out insurance and then possibly dropping coverage after the claim has been paid.

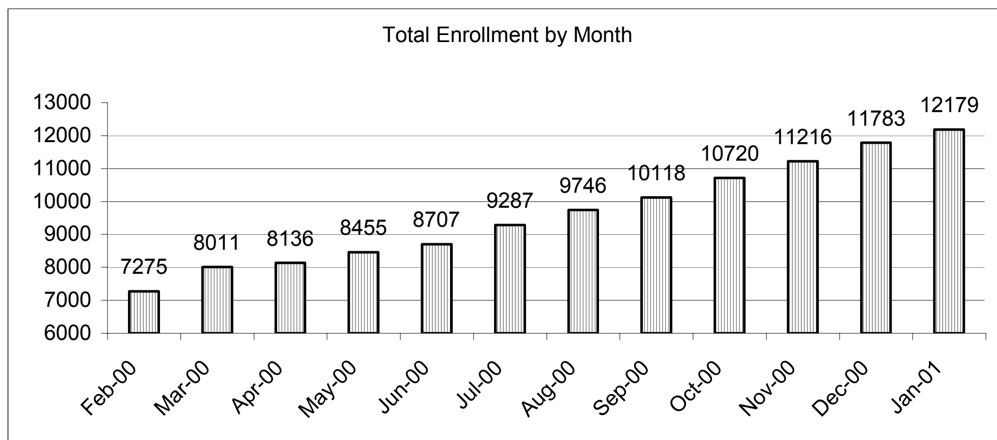
The pool defines a preexisting condition as "a disease or condition for which medical advice, care or treatment was recommended or received during the six months before an Insured Person's effective date of coverage. Preexisting Condition includes a preexisting pregnancy or a complication of a preexisting pregnancy, whether the complication occurs before or after the effective date of coverage. Preexisting Condition does not include genetic information in the absence of a diagnosis of the condition related to the genetic information."[22]

In determining whether a preexisting condition limitation applies, credit is given for the time an individual was covered under any prior creditable coverage (including any waiting period for such coverage) that was in effect at any time during the 12 months before the effective date of health pool coverage. If a person has a preexisting condition, he/she may choose to join the pool, and will be covered for everything other than the preexisting condition for 12 months. After the 12 months he/she will be fully covered. More on eligibility and preexisting conditions can be found in Appendix L.

Enrollment Trends

Figure 11.1 depicts the growth in enrollment between February 2000 and January 2001.

Figure 11.1. Growth in Enrollment in Texas Health Risk Pool

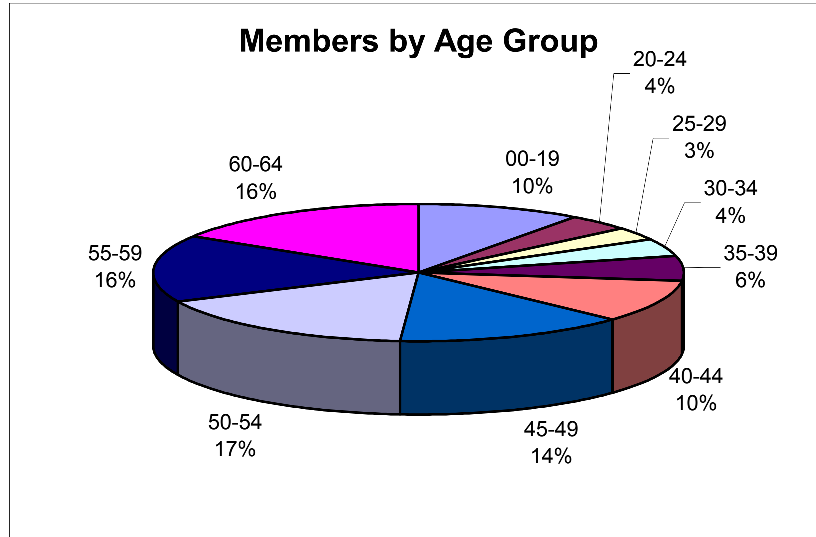


Adapted from: Blue Cross Blue Shield of Texas, "Report from Blue Cross Blue Shield of Texas on Status of Operations," Texas Health Insurance Risk Pool Board Meeting, Austin, Texas, January 17, 2001.

Of the medical claim benefits paid in 1999, 45 percent were associated with the treatment of cancers, circulatory diseases, and diseases of the respiratory system. About half of the members have chosen Plan I, which carries a $500 deductible, 32 percent have chosen

Plan II ($1,000 deductible), and 19 percent have chosen Plan III with a $2,500 deductible.[23] Figure 11.2 depicts members by age group.

Figure 11.2. Members of the Texas Health Risk Pool



Adapted from: Blue Cross Blue Shield of Texas, "Report from Blue Cross Blue Shield of Texas on Status of Operations," Texas Health Insurance Risk Pool Board Meeting, Austin, Texas, January 17, 2001.

Benefits

When a person is confirmed eligible for the pool he/she may choose between three plans. Plan I has the highest monthly rate and a $500 deductible, Plan II has a lower monthly rate and a $1,000 deductible, and Plan III has the lowest monthly rate and a $2,500 deductible. Monthly rates are determined by plan choice, age, area, and tobacco use. Current rate tables for the health pool can be found in Appendix M. Coinsurance for PPO Providers is 20 percent, and for nonproviders it is 40 percent. The maximum coinsurance is $2,000 for Plan I, $3,000 for Plan II, and $7,500 for Plan III.

After the individual meets the coinsurance maximum for the year, the health pool will pay 100 percent of covered expenses for the remainder of the year, subject to the maximum lifetime benefit amount of $1,000,000. It should be noted that the calendar year deductible, the emergency care deductible (an additional $50), coinsurance for treatment of chemical dependency, and copayments/coinsurance amounts for outpatient prescription drugs do not count towards the annual coinsurance maximum.

An individual covered by the health pool may go to any medical provider or hospital he or she chooses, but will save money by choosing a provider within the health pool's Preferred Provider Organization (PPO). A covered individual who chooses a Blue

Choice provider will pay a smaller coinsurance payment. In addition, PPO providers do not charge the covered person for charges in excess of the PPO contract rate. A non-PPO provider may charge a rate in excess of the PPO contract rate and the covered individual would then be liable for any charges over the PPO rate. A summary of the health pool benefits is listed in Table 11.1.

Table 11.1. Summary of Health Pool Benefits

Hospital	Average semiprivate room rate and no more than one visit per physician
Intensive Care or Cardiac Care Unit	No more than 3 times the average semiprivate room rate
Asst. Surgeon or Surgical First Asst.	One assistant, no more than 25% of surgeon's fee
Hospital or other facility for Emergency Care	Subject to additional $50 deductible per visit (not credited toward coinsurance maximum)
Home Health Care	120 visits per calendar year
Skilled Nursing Facility	120 days per calendar year
Hospice Care	180 days lifetime maximum
Named Transplants	Subject to lifetime combined maximum benefit for all transplants of $150,000. Transplants include kidney, pancreas, heart, liver, lung and bone marrow. Includes preparation and transportation
Non-Surgical Spinal Treatment	Maximum benefit of $500 per Calendar year
Serious Mental Illness	Calendar year maximum benefit of 45 inpatient days and 60 outpatient visits
Chemical Dependency Treatment	50% coinsurance and $15,000 lifetime maximum
Precertification Provisions	If a precertification requirement is not met, benefits for covered services and supplies will be reduced 50%. Precertification required for: inpatient admissions, skilled nursing, facility admissions; home health care services, hospice care, transplants, and durable medical equipment over $2,000.
Prescription Drugs, PPO Pharmacy and Mail Order	$10 copayment for generic drugs; $25 copayment for brandname drugs if generic not available or prescription marked "dispense as written"; $25 co-payment plus difference between cost of generic drug and brand name drug if brand name selected by insured
Prescription Drugs, non PPO Pharmacy	Insured pays 40% of Average Wholesale Price plus dispensing fee; if insured's residence is designated a medically underserved area, insureds pay 20% of Average Wholesale Price plus dispensing fee

Adapted from: Texas Health Insurance Risk Pool, *Summary of Health Pool Benefits*. Online. Available: http://www.txhealthpool.com/benefits.html. Accessed: February 12, 2001.

Other benefits provided by the pool include ambulance, anesthesia, blood, diabetes, durable medical equipment, miscellaneous hospital services and supplies, outpatient care, oxygen, physical, occupational, speech, language therapy, preadmission testing, pregnancy and newborn child coverage, preventive care, prosthetic devices, radiation therapy, inhalation therapy, chemotherapy, second surgical opinion, surgeons, surgical services and supplies from an ambulatory surgical center and hospital outpatient facility, x-rays, and laboratory tests.

Financing the Pool

Currently the Texas Health Pool charges premiums for the policies that it issues. The rates that pool participants pay is recommended by the board of directors and approved by the insurance commissioner. The Texas Department of Insurance recently approved a 20 percent increase in premium rates that went into effect on January 1, 2001.[24] This has brought the average cost of monthly premiums from $336 to $403 per month. The increase lifts the rate from 150 to 165 percent of the "standard rate."

The "standard rate" is the rate typically charged by commercial carriers for similar coverage. The board of directors engaged an independent actuarial firm to set a standard rate for the health pool policy. The board uses this standard rate when setting the premium rates for the health pool policy. More specifics on rates can be found in Appendix M.

If claims and expenses for the health pool's operation exceed collected premiums, the health pool can collect additional funds from the health insurance companies through assessments. Insurers' assessments are determined annually by the risk pool board based on carriers' annual statements and other reports. Total assessments are based on a projected amount that the pool will need to continue operations. This figure is determined by a contracted actuarial firm which studies trends in enrollment, claims, and premium data.[25] The assessment imposed on each carrier is an amount that is equal to the ratio of the gross premiums collected by the insurer for health insurance in the state during the preceding calendar year to the gross premiums collected by all insurers for health insurance. Medicare supplement premiums, most small group health insurance premiums, and some other premiums are excepted. If assessments exceed the pool's actual losses and administrative expenses, the excess is held in an interest-bearing account and used by the board to offset future losses or to reduce future assessments.[26]

Table 11.2. Texas Health Insurance Risk Pool Finances

	Premiums collected	Claims paid	Net Loss	Loss Ratio	Assessment	Investment Income
1999	$16,365,666	$30,822,830	$21,331,627	220%	$14,057,740	$535,390
2000	$38,497,568	$60,790,998	$29,720,542	173%	$66,766,136	$1,876,578

Adapted from: Texas Health Insurance Risk Pool Board of Directors, *The 2000 Annual Report of the Texas Health Insurance Risk Pool* (June 2001). Online. Available: http://www.txhealthpool.com/2000rpt.PDF. Accessed: July 22, 2001.

Table 11.2 is a summary of the Texas Health Insurance Risk Pool finances for 1999 and 2000. The assessment cycle does not coincide with the calendar or fiscal year. Due to the timing of the risk pool's creation and initial assessments, this cycle runs from August to July. In March and April, the risk pool sends insurers a data request form. This form determines the assessable premium, which is the gross premium amount minus excepted categories. Excluded premiums include, but are not limited to: short-term coverage of less than one year, accident-only coverage, disability income insurance, coverage for a specified disease, Medicare Supplement insurance, Medicaid, Federal Employees Health Benefits Program, and small-employer group health insurance, subject to Articles 26.01-26.76 of the Texas Insurance Code. The executive director uses these request forms to calculate each carrier's percentage share of the estimated loss for the coming year, as projected by the actuarial firm. Late payments are charged interest, and failures to pay are turned over to the Texas Department of Insurance.[27]

Based on actuarial projections, the assessment for 2000 was $68 million dollars. During the summer of 2001 the Texas Health Pool will use the actuarial firm of Milliman & Robertson to project forward another year in order to determine the 2001 assessment. Cash reserves on hand at the projection point will be factored in as a credit. Due to the rapid growth of the Texas Health Pool, assessments are also becoming larger and difficult to predict.[28]

While Texas finances its risk pool through carrier assessments, there exists a variety of mechanisms for funding health insurance risk-sharing plans. Some of these methods are used by other states. Financial realities and other factors narrow Texas' choice of funding mechanisms.

General Fund: One way to cover the losses associated with the pool is for the legislature to appropriate funds from general revenue. While this may be administratively simple, states have only actuarial projections of the amount needed to cover the losses. There is also the problem of insufficient funds should the state experience financial difficulty. By limiting the numbers of those enrolled, states possibly can control the losses. Although this method is being used in several states, financial realities and the size of the risk pool may preclude such an option as the sole method of funding in Texas.

Assessments to Carriers: This is the current method of funding in Texas. Because insurance carriers are in the business of providing coverage, some believe they should be assessed if they choose not to insure all applicants. ERISA, however, prevents states from assessing all health coverage. Approximately 50 percent of people receiving employer-sponsored insurance are covered by self-insured plans, which are federally protected under ERISA. Texas currently assesses all non-small group non-ERISA coverage for private insurance.

Assessments with a Tax Credit: Insurance carriers are assessed for the losses of the pool, but this assessment is offset against premium taxes or income taxes paid to the state. The state ultimately is responsible for funding. This method has the same shortcomings as that of funding from the general revenue. Some states place a cap on the amount of tax credit provided in any one year, requiring the carrier to pay assessments above the cap with no tax credit granted. Another method is to grant no credit until a carrier's assessment reaches a certain level, in which case the amount paid above that level would be allowed as a credit.

Raise Premiums: The policyholders pay a higher percentage of the standard rate, and the pool and carriers have reduced liability. A consequence of this option would be that premiums become too costly for those with low risk, and eventually too expensive for high-risk individuals, leading to the pool becoming inoperable. There is a federal payment limit of 200 percent of the standard risk.

Hospital Provider Tax: A reserve fund is set up to cover the losses of the pool. This fund is financed through assessments on all revenues of all hospitals. Hospitals incur liability that, in turn, it passed along to all users of health care. Such as tax probably would have to increase continually to cover losses. Moreover, hospitals are not receptive to the idea of being the bearer of additional consumer costs. The advantage is that this option taxes ERISA plans indirectly as well as commercial plans.

Hospital Service Charge: Each patient admitted to a hospital is assessed a per-day service charge, which is included in the patient's final bill. This method spreads the costs of the pool and can indirectly reach those who are self-insured under ERISA. Health care providers are not receptive to being the bearer of additional costs, however.

Monthly Fee on Carriers: Carriers are assessed a monthly fee based on how many policyholders they cover. In this way, insurers can predict what their monthly fee will be and therefore can plan their operations. This method brings stability and predictability to the funding process.

Increase Existing Taxes: One option is to increase taxes on cigarettes, alcohol, or other products, and use those funds to cover risk pool losses.

Fee on Tax Filers: Up until 1994, Colorado assessed a $2 fee on state tax income filers with incomes of $15,000 or more. Because Texas has no state income tax, this is not an option.

The three primary types of high-risk pool funding mechanisms used are allocation of state funds, assessment of insurers, and assessment of insurers using a tax credit. While some states rely on one primary method, many have opted for a combination of mechanisms that include provider taxes and service charges. Examples of the application of these various financing mechanisms can be found in Appendix N.

Short-term Issues and Recommendations

While the risk pool has increased the number of Texans it serves, several entities have made recommendations which they believe will improve its effectiveness.

Risk Pool Board

In a meeting conducted in November of 2000 the risk pool board approved the following legislative recommendations to address some of the problems of the risk pool:

1. Clarification that a person previously covered by another state's risk pool remains HIPAA-eligible after moving to Texas.

2. The current statute states that those who allow their coverage to lapse for nonpayment of premiums are permanently barred from obtaining coverage through the risk pool. If a person cancelled his/her coverage, however, he/she could once again be eligible after 12 months. The board supports an amendment to provide a 12-month requalification period for those whose coverage lapsed due to nonpayment.

3. The risk pool consistently must address the problem of individuals qualifying for employer-sponsored coverage who apply to, and in some cases become covered by, the risk pool. It is believed that agents or employers may be attempting to circumvent the eligibility requirements in many of these cases. Amend the code to penalize anyone who attempts to place an ineligible person in the risk pool

4. The current statute includes no penalty against carriers that fail to pay their risk-pool assessments in a timely way. The maximum rate the risk pool can charge is 6 percent per year. The board supports an amendment stipulating that interest accrues against a carrier's unpaid assessment at the prime lending rate plus 3 percent.

5. An amendment to the Texas Insurance Code clarifying that a person eligible under HIPAA is not required to meet the U.S. citizenship requirement. In addition, most other states' risk pools impose a residency requirement rather than a U.S. citizenship requirement. Amend the Insurance Code to allow eligible Texans who have been permanent residents for at least three continuous years to be covered by the risk pool.

Additionally, the board will not oppose the elimination of the small-employer premium assessment exclusion, allowance for a premium tax offset or a reduction of the premium rate cap.[29]

Texas Department of Insurance

In its biennial report, the Texas Department of Insurance suggests three possibilities that might be considered in financing the pool. The first would be to expand the assessable base of health insurance premiums to include small-group health insurance. The second possible option, a premium tax credit, has been realized in the form of HB 1709, filed by Representative Averitt in the 77th Texas Legislature. The final option is an appropriation from the general revenue fund by the Texas Legislature.

Consumer Organizations

In testimony given to the Blue Ribbon Task Force for the Uninsured in January 2000, consumer organizations made four recommendations to improve the state's high-risk insurance pool.

1. Limit the allowable rate increases on policies currently increasing at a rate of 20 percent per year. If no other changes were made to the pool, this option would create difficulties for the insurance companies whose assessments are increasing dramatically each year.

2. Require insurers who refuse coverage for people with health conditions to support the cost of their care through high-risk pool assessment without spreading the cost back to the broader population of covered people.

3. Allow for fund subsidies for low-income people to help pay for coverage.

4. Encourage families of eligible people to join the pool to ensure a more equitable mix of healthy and sick participants.[30]

Long-Term Options

While the risk pool enables insurers to price policies lower in the individual market due to the removal of high-risk persons from that market, the high premiums required by the risk pool can often be a barrier to people with low incomes. The pool currently is financed by assessments from the insurance companies. If the risk pool population grows, but fails to include healthy participants, then the cost of the pool also will continue to grow. As the cost of the pool increases, more equitable methods of funding must be considered.

Sliding-scale premiums have been introduced in several states, including Minnesota, to distribute the cost of premiums more evenly. Another effective method would be to subsidize the risk pool, specifically the low-income participants, with money from the tobacco settlement, as has been done in California. A final option would be to allow counties to buy in their low-income, high-risk individuals.

Conclusions

While high-risk pools have shown promise in decreasing the numbers of the uninsured, they are only a small part of the solution. Medicaid and SCHIP are needed to cover adults and children in Texas who have little or no income. To date there has been no combination of public and private insurance that meets the needs of all of the uninsured. For this reason, research in this area will remain a valuable tool for policy makers in the years to come.

Notes

[1] Insure.com, *Tips for Buying Individual Health Coverage*. Online. Available: http://www.insure.com. Accessed: February 22, 2001.

[2] Ibid.

[3] Communication for Agriculture, Inc., and National Association of State Comprehensive Health Insurance Plans (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), p. 7.

[4] Ibid., p.5.

[5] Communication for Agriculture and NASCHIP, *Comprehensive Health Insurance for High-Risk Individuals,* p. 6.

[6] Texas Health Insurance Risk Pool, *Who Is the Health Pool?* Online. Available: http://www.txhealthpool.com/who.html. Accessed: February 20, 2001.

[7] Ibid.

[8] Ibid.

[9] Communication for Agriculture and NASCHIP, *Comprehensive Health Insurance for High-Risk Individuals,* p. 181.

[10] Ibid., p. 8.

[11] Conrad F. Meier, *How Kentucky Destroyed Its Health Insurance Industry (and a Plan to Rescue It)* (The Heartland Institute, 1998). Online. Available: http://www.heartland.org/perspectives/kentucky.htm Accessed: February 27, 2001.

[12] Texas Insurance Code Annotated, art. 3.77, sec. 4.

[13] Ibid.

[14] Texas Insurance Code Annotated, art. 3.77, sec. 7.

[15] Interview by Kate Suratt and Sam Miller with Steve Browning, Executive Director, Texas Health Insurance Risk Pool, Austin, Texas, March 1, 2001.

[16] Ibid.

[17] Ibid.

[18] Ibid.

[19] Ibid.

[20] Texas Insurance Risk Pool, *Eligibility*. Online. Available: http://www.txhealthpool.com/eligibil.html. Accessed: February 12, 2001.

[21] Ibid.

[22] Ibid.

[23] Texas Health Insurance Risk Pool Board of Directors and Committees, "Minutes from the January 17, 2001, Meeting" (Austin, Texas, January 17, 2001), p. ES3.

[24] Vicki Lankarage, *Texas Health Risk Pool Customers Face Another 20 Percent Premium Hike* (November 2000). Online. Available: http://www.insure.com/states/tx/health/riskpool1100.html. Accessed: January 19, 2001.

[25] Browning Interview.

[26] Texas Insurance Code Annotated, art. 3.77, sec. 13.

[27] Browning Interview.

[28] Ibid.

[29] Texas Department of Insurance, *Biennial Report to the 77th Texas Legislature*, December 1999. Online. Available: http://www.consumersunion.org/health/testsw200.htm. Accessed: February 12, 2001.

[30] Texas Blue Ribbon Task Force on the Uninsured, "Insurance Regulation," Consumer organizations testimony, Austin, Texas, January 20, 2000.