High-Risk Pools

In the wake of the federal Affordable Care Act's passage, public attention has fixated on extending health insurance to the uninsured. It is important to recognize, however, that substantial portions of the uninsured population were uninsured for reasons other than income limitations or the inability to purchase coverage due to pre-existing conditions.

The ACA painted the uninsured with a broad brush and imposed sweeping changes to health insurance markets nationwide. The law's architects ignored diversity within the unemployed population and, therefore, many of the reasons individuals had gone without coverage. The problems facing some demographic groups were exacerbated in order to subsidize groups with pre-existing conditions.

Key Points

Many individuals were uninsured by choice. About 9 million uninsured Americans were receiving annual incomes over $75,000 but simply preferred to purchase health care on a cash basis. This group was also among the fastest-growing uninsured demographics.[1] Cash-based health care is often far less costly per procedure because providers needn't burden staff with the lengthy task of seeking reimbursement from an insurance bureaucracy and because competition for customers encourages providers to control costs in a way that large, third-party payers cannot.

Similarly, 58% of uninsured Americans were under 35 years of age and many of those individuals chose to forego insurance because their relative health led them to believe that the price of insurance coverage exceeded the value that could be gained from it.[2] The guaranteed-issue and community-rating provisions that are central to the ACA will only further encourage this group to forego coverage by raising the price of available insurance.[3]

Distortions in the tax code left additional millions uninsured. Nearly half of all uninsured Americans were uninsured only on a temporary basis and went without coverage for six months or less, usually as a result of a job change.[4] For these individuals, and for individuals whose employers did not offer employer-sponsored insurance plans, insurance had been made artificially costly by longstanding federal tax policy. While employers can purchase health insurance using pre-tax dollars, individuals are only allowed to purchase insurance using after-tax dollars. This discouraged individuals from maintaining their own health insurance and fostered dependency on employer-provided plans.

Others were uninsured because public policy unnecessarily inflates the price of insurance. Mandated coverage requirements and other regulations often prevented Americans with limited incomes from being able to purchase insurance coverage they could afford and led them to forego coverage altogether.[5]

Only a tiny proportion of uninsured were "medically uninsurable." Individuals with chronic, pre-existing conditions are considered "uninsurable" because they technically are not seeking "insurance" against the possibility that such a condition might develop; they instead seek a third-party payer for treatment of a known condition. This doesn't mean that there is no public interest in helping such individuals, but the public dialogue has lost sight of the fact that this demographic accounted for less than 2% of the uninsured.[6]

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[1] J.P. Wieske and Christie Herrera, "2010 State Legislators Guide to Health Insurance Solutions," American Legislative Exchange Council and Council for Affordable Health Insurance, 2010.

[2] Ibid.

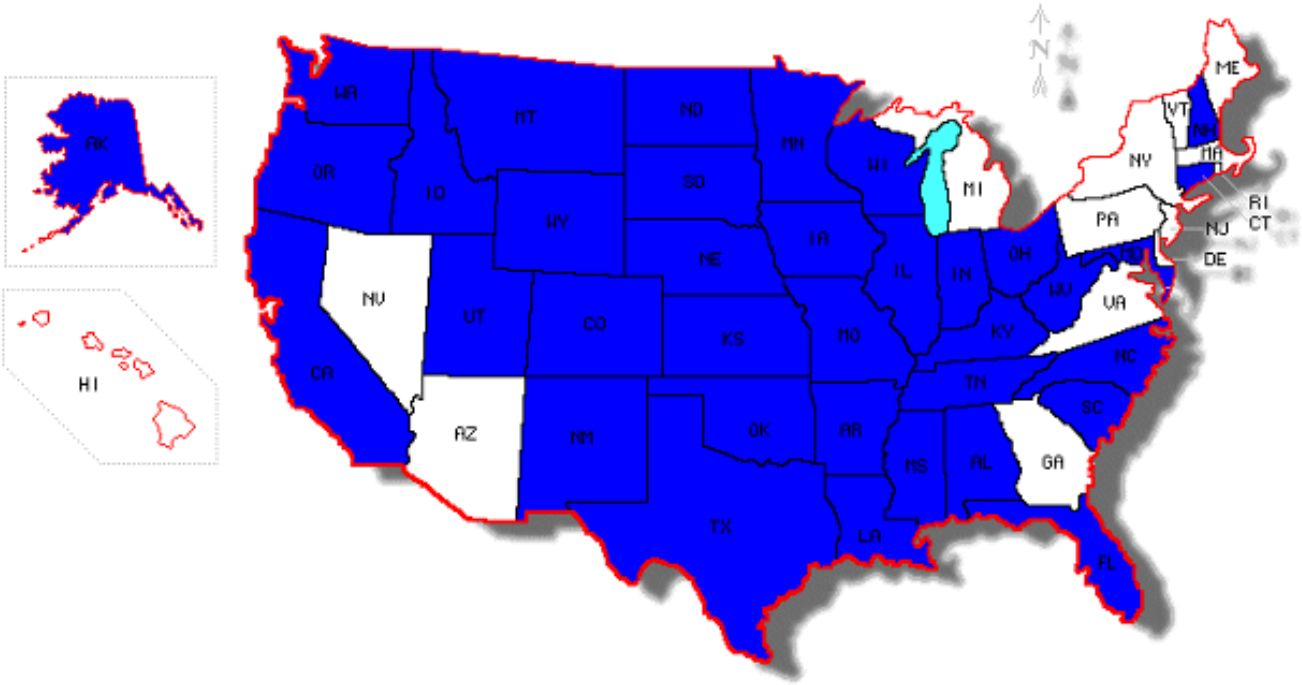
[3] Geoffrey Lawrence, "Health-exchange rate shock," NPRI commentary, October 10, 2013.

[4] Op cit, Wieske and Herrera, note 1.

Recommendations

Create a high-risk health insurance pool. Long before the ACA, states were already developing a mechanism to help the small fraction of the uninsured who had pre-existing conditions to afford treatment. High-risk pools through which states subsidize the care costs for specified conditions had spread to 34 states by 2008, covering nearly 200,000 individuals. Nevada was among a minority of states not to have created such a high-risk pool, but Silver State lawmakers should pro-actively create one in order to lay the groundwork for a policy regime superior to the ACA. Model legislation is available from the American Legislative Exchange Council.[7]

States with High Risk Pools (as of June 2015)



[5] See "Truly Affordable Health Care."
[6] Op cit, Wieske and Herrera, note 1.
[7] American Legislative Exchange Council, "High-Risk Health Insurance Pool Model Act," 2013.