

*State of Idaho*  
**DEPARTMENT OF INSURANCE**

C.L. "BUTCH" OTTER  
Governor

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WILLIAM W. DEAL  
Director

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Jim Wordelman  
Idaho State Director, AARP  
3080 E Gentry Way Ste 100  
Meridian ID 83642

Dear Mr. Wordelman,

In response to your news release regarding the decision for Idaho to opt out of the Federal High Risk Health Insurance Pool, first let me clarify that the Federal High Risk Health Insurance Pool – established for uninsured individuals – is not a program that will provide benefits for AARP members.

Secondly, as mentioned in the news release, Department of Insurance staff conducted a comprehensive review of the feasibility of creating a second high risk pool. After the review, my recommendation to Governor Otter was not to implement a new temporary high risk pool program under the Patient Protection and Affordable Care Act of 2010. Several citizens have called the Department of Insurance asking additional questions about this decision. I invite you to call the Department to discuss his questions and concerns as well.

I would like to provide you with some of the rationale which supported Governor Otter's decision. I might add that he was joined by 17 other governors who also elected to have Health and Human Services run the high risk pool program for their states.

Early in April, Secretary Sebelius, HHS, sent a letter to the states asking how they would like to participate in the high risk program. The program was designed to give states the flexibility to carry out their own program or have HHS do it for them. The four options available to states were:

- Operate a new high risk pool alongside a current high risk pool.
- Establish a new high risk pool.
- Build upon other existing coverage programs designed to cover high risk individuals.
- Do nothing, in which case HHS would carry out a coverage program for the state.

Idaho currently operates a very successful high risk reinsurance pool. This program is designed to provide coverage for high risk individuals and has been operational since 2001, currently insuring 1506 Idahoans. Annual claims payments exceed \$10 million.

HHS has earmarked \$24 million for Idaho to operate a temporary high risk pool until January 1, 2014. Using statistics from the Agency for Healthcare Research and Quality (AHRQ), April 2009, we estimate that as many as 33,411 uninsured Idahoans have a pre-existing condition and would be eligible for the high risk pool.

Although the \$24 million allocated to Idaho citizens will be used by HHS for Idahoans, clearly those funds could not wholly fund this program. Our research coincides with many other state officials and health experts who expect money will run out long before January 2014 raising concerns that states opting to run their own pools will be forced to foot the bill once the federal funds are exhausted.

The chief actuary for the Centers for Medicare and Medicaid Services pointed out in an April 22 analysis of the health reform law that “by 2011 and 2012 the initial \$5 billion in federal funding for this program would be exhausted, resulting in substantial premium increases to sustain the program; we anticipate that such increases would limit further participation.”

Health plan providers are obviously concerned that states electing to run their own pools could raise taxes on insurance plans once they run out of money, potentially raising premiums for all policyholders.

Prior to the April 30, 2010, date to respond to HHS advising how states would like to participate in the high risk pool program, it was difficult – even a struggle – to get answers from HHS about exactly how to run the pools. Instead, a spokeswoman for HHS declined to say whether the federal government would cover losses if the program ran out of money stating, “I think we need to get the program up and running before we start speculating.”

On Wednesday the Congressional Budget Office announced another \$115 billion increase in the cost of implementing the health care reform bill, bringing the current price tag to over \$1 trillion which could mean that no additional funds are available to supplement this program.

We stand by our recommendation to the Governor and support his decision to let HHS run this program for Idaho.

Regards,

Bill Deal  
Director