July 2011

PRE-EXISTING CONDITION INSURANCE PLANS

Program Features, Early Enrollment and Spending Trends, and Federal Oversight Activities

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Highlights

Highlights of GAO-11-662, a report to the Ranking Member, Committee on Health, Education, Labor, & Pensions, U.S. Senate

Why GAO Did This Study

Individuals applying for health insurance are often denied coverage due to a pre-existing condition. The Patient Protection and Affordable Care Act appropriated $5 billion to create a temporary pool—known as the Pre-Existing Condition Insurance Plan (PCIP) program—to provide access to insurance for such individuals until new protections take effect in 2014. Twenty-seven states opted to run their own PCIPs, while 23 states and the District of Columbia opted to let the Department of Health and Human Services (HHS) run the PCIPs for their residents. Initial projections of total enrollment varied from 200,000 to 375,000, and questions have been raised about funding, implementation, and oversight of this new program.

GAO examined (1) PCIP features, premiums, and criteria for demonstrating a pre-existing condition, (2) trends in PCIP enrollment and spending, including administrative costs, and (3) federal oversight activities. GAO reviewed PCIP benefits and rates; interviewed officials from selected state PCIPs, HHS, and the Office of Personnel Management (OPM), which assists HHS in administering aspects of the federally run PCIP; analyzed data provided by HHS and OPM; and examined contracts and interagency agreements.

In its comments, HHS emphasized its recent efforts to increase enrollment and provided technical comments, which GAO incorporated as appropriate.

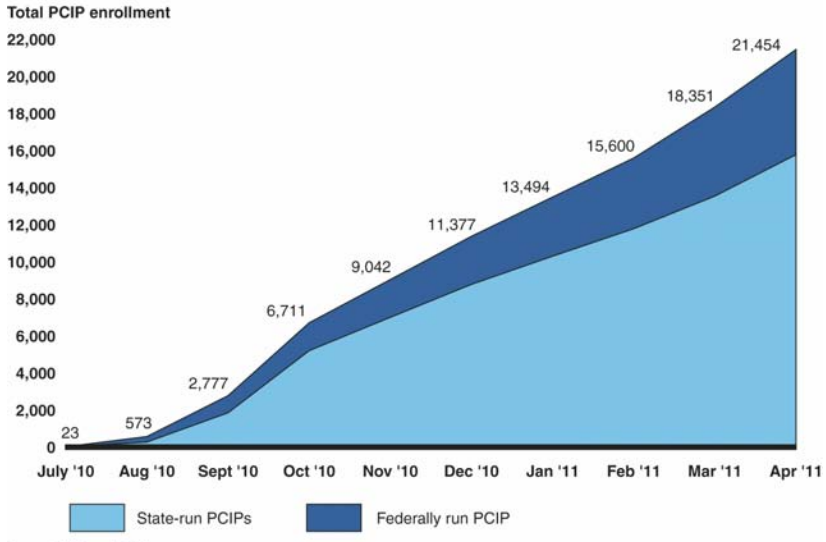
View GAO-11-662 or key components. For more information, contact John E. Dicken at (202) 512-7114 or dickenj@gao.gov.

What GAO Found

State- and federally run PCIPs generally had similar cost sharing arrangements, although other features varied. Most states had annual deductibles falling within $1,000 to $2,999, with out-of-pocket limits at or near $5,950. Coverage limits were common but varied, both in terms of the benefits affected and the extent of the limits. Monthly premiums ranged considerably—from $240 in Utah to $1,048 in Alaska for a 50-year-old enrollee—and were generally lower in the federally run PCIP. Additionally, applicants in the federally run PCIP generally had fewer options to demonstrate a pre-existing condition—a criteria of program eligibility—than did those in the state-run PCIPs.

Enrollment and spending for state- and federally run PCIPs have been significantly lower than initial projections. As of April 30, 2011, enrollment had exceeded 21,000, ranging from 0 in one state to nearly 3,200 in another state. Factors contributing to low enrollment include the statutory requirement that enrollees be uninsured for 6 months prior to applying; premiums that may be unaffordable to many; and a lack of PCIP awareness. In response, HHS reduced premiums in the federally run PCIP states and increased its outreach efforts in 2011. Spending was also lower than projected—about 2 percent of total program funding had been spent, or about $78 million by state-run PCIPs and $26 million for the federally run PCIP.

Monthly Enrollment in State- and Federally Run PCIPs Remained Lower Than Initial Projections, Despite Increases



Source: HHS and OPM.

To provide for program oversight, HHS established contracts with states and the carrier selected to provide benefits for the federally run PCIP, which include numerous provisions to ensure program requirements are met. For example, the contracts require regular reporting of expense and enrollment data, and annual completion of independently audited financial reports. Also, HHS and OPM are engaged in ongoing oversight activities, such as reconciling the reported data, and HHS intends to conduct performance audits in the future.