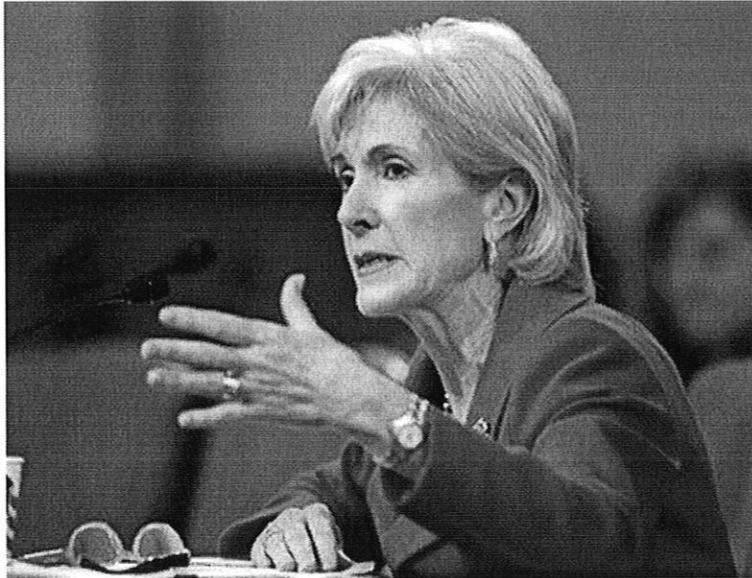


LifeHealthPro

# States: PCIP running out of cash

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HHS Secretary Kathleen Sebelius (AP photo/J. Scott Applewhite)

WASHINGTON (AP) — Thousands of people with serious medical problems are in danger of losing Pre-existing Condition Insurance Plan (PCIP) coverage because of cost overruns, state officials say.

The drafters of the Patient Protection and Affordable Care Act (PPACA) created PCIP — which is often pronounced "pee-sip" — to serve as transition program for the so-called "uninsurables" — people with serious medical conditions who can't get coverage elsewhere.

The program was supposed to help uninsurable people bridge the gap from day PPACA was signed into law in March 2010 until Jan. 1, 2014, when PPACA will prohibit health insurers from taking health problems into account when deciding whether to accept applicants.

About 100,000 people now have PCIP coverage. The people in a state's plan pay premiums comparable to the premiums that commercial insurers in the state charge healthy enrollees.

In a letter this week to Health and Human Services Secretary (HHS) Kathleen Sebelius, state officials said they were "blindsided" and "very disappointed" by a federal proposal that they contend would shift the risk for cost overruns to the states in the waning days of the program.

"We are concerned about what will become of our high risk members' access to this decent and affordable coverage," wrote Michael Keough, chairman of the National Association of State Comprehensive Health Insurance Plans. States and local nonprofits administer the program in 27 states, and the federal government runs the remaining plans.

"Enrollees also appear to be at risk of increases in both premiums and out-of-pocket costs that may make continued enrollment cost prohibitive," added Keough, who runs North Carolina's program. He warned of "large-scale enrollee terminations at this critical transition time."

The crisis is surfacing at a politically awkward time for the Obama administration, which is trying to persuade states to embrace a major expansion of Medicaid under PPACA. It may undercut one of the main arguments proponents of the expansion are making: that Washington is a reliable financial partner.

The root of the problem is that PPACA capped spending on the program at \$5 billion, and the money is running out.

Enrollment has been much lower than analysts originally had projected but medical bills for the beneficiaries have been much higher. Advanced heart disease and cancer are common diagnoses for the group.

PCIP officials have reported that PCIP beneficiaries averaged about \$32,000 in claims in 2012, with the sickest 4 percent generating an average of about **\$225,000 in claims**. Obama did not ask for any additional funding for the program in his latest budget, and a Republican bid to keep the program going by tapping other funds in PPACA failed to win support in the House last week.

There was no immediate response from HHS, which has given the state-based program until next Wednesday to respond to proposed contract terms for the program's remaining seven months.

Delivered last Friday, the new contract stipulated that states will be reimbursed "up to a ceiling."

"The 'ceiling' part is the issue for us," Keough said in an interview. "They are shifting the risk from the federal government, for a program that has experienced huge cost overruns on a per-member basis, to states. And that's a tall order."

At his news conference this week, Obama acknowledged the rollout of PPACA wouldn't be perfect. There will be "glitches and bumps" he said, and his team is committed to working through them. However, it's unclear how PCIP could get more money without the cooperation of Republicans in Congress.

PCIP was intended only as a stopgap. The law's main push to cover the uninsured starts next year, with subsidized private insurance available through new state-based markets, as well as an expanded version of Medicaid for low-income people. At the same time, virtually all Americans will be required to carry a policy, or pay a fine.

States are free to accept or reject the Medicaid expansion, and the new problems with PCIP could well have a bearing on their decisions.

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