

The Council for Affordable Health Insurance



April 5, 2004

The Honorable Max Baucus
U.S. Senate
511 Hart Senate Office Building
Washington, D.C. 20510

Dear Sen. Baucus:

On behalf of the Council for Affordable Health Insurance (CAHI), we are writing to express our strong support for S. 2283, the State High Risk Pool Funding Extension Act of 2004. CAHI was organized in 1992 as a research and advocacy organization devoted to positive, market-based health care reforms that preserve freedom of choice for individuals and encourage a competitive health insurance market.

S. 2283, would extend funding for state high-risk pools created through the Trade Adjustment Assistance Reform Act. The law amended the Public Health Services Act establishing two federal grant programs to assist states with start up funding of new state high-risk health insurance pools, and another with operational funding of existing qualified risk pools. The legislation increases the operational grant program from \$40 million to \$75 million per year through FY 2009, with \$15 million available for the seed grant program through FY 2005. This program provides qualified high-risk pools with grants of up to \$1 million for the creation and initial operations of a state high-risk pool. Without this critical extension, many states will be unable to establish and maintain high-risk pools.

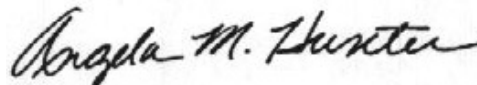
State high-risk pools have been in existence for over 25 years. Thirty-one states have implemented high-risk pools. They are state-created nonprofit entities that provide access to health insurance for individuals who are not covered under an employer plan, and generally are ineligible for governmental programs. Enrollees pay a premium for their health insurance, and these premiums are capped so the enrollee has price protection. Premiums cover 50 to 60% of the total cost and the rest must be made up through other revenues. Most states assess insurance companies based on the amount of business they do in that state. However, this method is limited due to federal regulations.

Over 172,000 people with medical claims in excess of \$1 billion were covered under 29 operational state high-risk pool plans in 2003. Over \$450 million in subsidies was needed to keep these plans open for the people who need them most. The people in high-risk pools represent 1 to 2% of the uninsured population and the most costly to cover because of their medical conditions. The State High Risk Pool Funding Extension Act will provide crucial funding and help in addressing a small but important part of the uninsured population. We salute you for introducing this legislation and pledge our assistance to working for the bill's passage.

Sincerely,



Merrill Matthews
Director



Angela M. Hunter
Director of Federal Affairs