



insurance issues. Without a strong and savvy board, getting a pool up and running quickly is very difficult.

**Legal Expertise.** Even board members with considerable expertise in insurance and actuarial matters are unlikely to have the requisite legal skills.

- ✓ Legal counsel will need to develop the Plan of Operation for the program; some of the states with successful HRP's will readily share their plans.
- ✓ Legal counsel also will need to develop contracts with entities the board hires; again, other states have current versions available for copying.
- ✓ Since the board is ultimately responsible for plan compliance with federal regulations, counsel will need to be familiar with the federal Health Insurance Portability and Accountability Act (HIPAA) and with Gramm, Leach, Bliley (GLB) privacy requirements, even if the administrator is an expert on them.

**Who's on Top?** An executive director (ED) is invaluable in the start-up of a program. The ED should understand health insurance and have good political instincts, since he or she will be dealing with state officials, their aides and, to some degree, the public.

- ✓ The ED handles all the day-to-day issues that result from board decisions. Unless someone moves the issues forward, the board's wishes cannot be carried out.
- ✓ When the board is considering entering into a contract, the ED researches the contracting party and arranges formal due diligence as needed.
- ✓ The ED also is responsible for interacting with consumers, legislative and regulatory bodies.
- ✓ Finally, the ED is responsible for updating advertising and/or marketing materials unless the administrator is specifically charged with this task.

**Who's Next to the Top?** The administrator works under the ED and is responsible for the day-to-day activities of the plan. An experienced person is critical to achieving a fast start-up.

- ✓ The administrator handles premium collection, claims payments, the application and issue process, commission processing, customer service and all other associated functions.
- ✓ The administrator may also engage in compliance activities, advertising and the development of marketing material.
- ✓ The administrator may develop the Web site for the program.
- ✓ Working with the sales distribution channels in the state is very important for the administrator, who should be allowed to license agents and manage reporting functions as well as distribute sales materials.
- ✓ The administrator creates relationships with PPOs and/or other discount networks in order to keep program costs as low as possible.
- ✓ The administrator develops relationships with centers of excellence that can provide the types of care the high-risk population often requires.
- ✓ The administrator identifies a pharmaceutical benefit manager to assure cost-effective administration of outpatient pharmaceuticals.

- ✓ In most states, grievance procedure handling is necessary, and that job too usually falls to the administrator.

**Numbers You Can Count On.** Risk pools lose money because they accept people with preexisting medical conditions who cost more in care than they pay in premiums. It is crucial that the pool leadership contract with actuarial support to establish the right premiums for the program and to perform other required actuarial functions.

- ✓ The actuaries project individual participation and work with the accountants and the board to establish proper funding levels and assessments adequate to cover losses.
- ✓ The actuaries compare benefits and assist with initial benefit development for HIPAA compliance purposes.
- ✓ The actuaries also compare rates and benefits to those of other state HRP's and to the individual health insurance markets of their own and other states.
- ✓ The actuaries calculate reserves to assure the accuracy of financial analysis and reporting.

**The Role of Accounting and Auditing.** The level of accounting assistance needed depends upon the services the ED and administrator are able to provide.

- ✓ The board must have accurate, detailed and frequent financial reports in order to assure good program management.
- ✓ Board members, the state insurance department and the insured must receive annual reports.
- ✓ Certified public accountants and auditors must verify all reports.
- ✓ An outside auditing firm should perform annual audits of all contracted parties.

**Conclusion.** A state seeking to establish a program in the minimum amount of time should follow as much as possible the previous work of other HRP's. The National Association of State Comprehensive Health Insurance Plans (NASCHIP), which is the trade association for risk pools, will provide the necessary information, including contact information for existing HRP's. Communicating for Agriculture, which regularly publishes the book detailing all existing HRP's, and the Council for Affordable Health Insurance are other reliable resources.

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