

Report To

The Mississippi Legislature



A Performance Evaluation of the Mississippi Comprehensive Health Insurance Risk Pool Association

January 9, 1995

The 1991 Legislature created the Mississippi Comprehensive Health Insurance Risk Pool Association with a December 31, 1995, repealer. The pool is a not-for-profit corporation that provides health insurance for persons who are otherwise medically uninsurable.

- Because of state and federal legal exclusions, less than half of the insured persons in Mississippi pay assessments to finance the pool.
- The pool has only reached about one-third of those eligible and able to afford the service.
- The Mississippi pool has been more expensive to operate than those in other states, but administration as a percentage of total expenditures is declining. The pool may owe approximately \$4 million in income taxes if it does not obtain IRC 501(c) status.

The PEER Committee

PEER: The Mississippi Legislature's Oversight Agency

The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A standing joint committee, the PEER Committee is composed of five members of the House of Representatives appointed by the Speaker and five members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms with one Senator and one Representative appointed from each of the U. S. Congressional Districts. Committee officers are elected by the membership with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of three Representatives and three Senators voting in the affirmative.

Mississippi's constitution gives the Legislature broad power to conduct examinations and investigations. PEER is authorized by law to review any public entity, including contractors supported in whole or in part by public funds, and to address any issues which may require legislative action. PEER has statutory access to all state and local records and has subpoena power to compel testimony or the production of documents.

PEER provides a variety of services to the Legislature, including program evaluations, economy and efficiency reviews, financial audits, limited scope evaluations, fiscal notes, special investigations, briefings to individual legislators, testimony, and other governmental research and assistance. The Committee identifies inefficiency or ineffectiveness or a failure to accomplish legislative objectives, and makes recommendations for redefinition, redirection, redistribution and/or restructuring of Mississippi government. As directed by and subject to the prior approval of the PEER Committee, the Committee's professional staff executes audit and evaluation projects obtaining information and developing options for consideration by the Committee. The PEER Committee releases reports to the Legislature, Governor, Lieutenant Governor, and the agency examined.

The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.

**A Performance Evaluation of the Mississippi Comprehensive Health
Insurance Risk Pool Association**

January 9, 1995

**The PEER Committee
Mississippi Legislature**

The Mississippi Legislature

Joint Committee on Performance Evaluation and Expenditure Review

PEER Committee

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January 9, 1995

Honorable Kirk Fordice, Governor
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At its meeting of January 9, 1995, the PEER Committee authorized release of the report entitled **A Performance Evaluation of the Mississippi Comprehensive Health Insurance Risk Pool Association.**



Representative Alyce Clarke, Chairman

**This report does not recommend increased
funding or additional staff.**

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A Performance Evaluation of the Mississippi Comprehensive Health Insurance Risk Pool Association

January 9, 1995

Executive Summary

Introduction

In 1991, the Legislature created the Mississippi Comprehensive Health Insurance Risk Pool Association to provide a means of insuring persons who are denied health insurance for medical reasons. Under present legislation, the Mississippi Comprehensive Health Insurance Risk Pool Association repeals December 31, 1995.

This report poses questions and provides answers to assist the Legislature in making a decision as to whether to reenact the legislation creating the risk pool. The report also presents options the Legislature may consider with respect to the impending repealer.

Summary

- **Who bears the burden of paying assessments to support the risk pool?**

While the pool depends on both premiums paid by policyholders and assessments against insurance companies, its assessments are made on individual covered persons of the insurance companies. Because of exemptions in statutes for state and federal employees, and the federal ERISA exemption, assessments are made against less than one-half of the persons insured in Mississippi.

- **How effective has the pool been in providing insurance to the market of persons who are not insured and are not insurable?**

The Mississippi Comprehensive Health Insurance Risk Pool Association has provided health insurance to a segment of the eligible uninsured population (approximately one-third), but is far short of insuring the entire market.

- **How expensive is the pool to operate in relation to other pools?**

When compared to other risk pools in the United States, the Mississippi Comprehensive Health Insurance Risk Pool Association's administrative costs constitute a higher percentage of total expenses than do similar expenses for other risk pools. The method of assessing insurers authorized by MISS. CODE ANN. Section 83-9-217 has produced pool fund balances which greatly exceed the annual costs of operating the risk pool.

If the Internal Revenue Service determines that the association is not tax-exempt, a portion of the risk pool's fund balances would have to be used to pay the pool's accumulated tax liability, which is estimated to be \$4 million.

- **What benefit does the state derive from the existence of a risk pool?**

While insurers and their policyholders must pay large amounts in assessments to operate the pool, the state and its taxpayers derive a benefit from the operation of the pool, as persons with pool insurance policies have a source of funds to pay for the care they require.

Policy Options for Legislative Action

In view of the impending repeal of the risk pool and the uncertainties of the regulatory environment, the Legislature has three clear options with respect to the coverage of the uninsured and otherwise medically uninsurable:

- Option One: allow the risk pool to be repealed on December 31, 1995
- Option Two: reenact the risk pool's legislation until December 31, 1996
- Option Three: reenact the risk pool without a repealer

Recommendations for the Risk Pool

1. The risk pool should devise a marketing plan which will target its promotional efforts to the appropriate segment of the market. This plan should consist of a detailed survey of those presently insured to determine how they learned of the pool. The survey should also attempt to identify the form of media most likely to reach such persons.

Further, the pool should request the Department of Insurance to assist in collecting information about persons rejected by private companies. While the department may not be able to release such names to the pool, it could contact them on behalf of the pool and provide information about pool coverage and the means of contacting the pool about becoming a pool client.

2. Although the portion of pool expenses attributable to administration is declining, the pool association should study its administrative expenses to determine whether the pool could increase its efficiency. It should also reduce its legal expenditures after it has resolved its pursuit of tax-exempt status.
3. The pool should request that its actuary review the pool's funding. In doing so, the actuary should consider escrowing a certain amount of funds for tax liability (estimated to be \$4 million), and then determine an appropriate monthly assessment based on projected levels of claims and growth. This study should also determine the appropriate size of a reserve fund for the pool.

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A Performance Evaluation of the Mississippi Comprehensive Health Insurance Risk Pool Association

Introduction

Authority

In accordance with MISS. CODE ANN. Section 5-3-57, the PEER Committee reviewed the Comprehensive Health Insurance Risk Pool Association.

Scope and Purpose

PEER conducted this project to determine how effective the pool has been in reaching Mississippians who are uninsured and uninsurable for health reasons. Specifically, PEER sought answers to the following questions:

- Who bears the burden of paying assessments to support the risk pool?
- How effective has the pool been in providing insurance to the market of persons who are not insured and are not insurable?
- How expensive is the pool to operate in relation to other pools?
- What benefit does the state derive from the existence of a risk pool?

This report provides answers to these questions to assist the Legislature in making a decision as to whether to reenact the legislation creating the risk pool. Under present legislation, the Mississippi Comprehensive Health Insurance Risk Pool Association repeals December 31, 1995. The report also presents options the Legislature may consider with respect to the impending repealer.

Method

During the course of this review, PEER:

- interviewed personnel of the Mississippi Comprehensive Health Insurance Risk Pool Association;
- interviewed personnel of the Department of Insurance;

- contacted the risk pools established in twenty-six states regarding their operations;
- reviewed financial and administrative information from the Mississippi Comprehensive Health Insurance Risk Pool Association; and,
- interviewed selected members of the association's governing board.

Overview

In 1991, the Legislature created the Mississippi Comprehensive Health Insurance Risk Pool Association to provide a means of insuring persons who are denied health insurance for medical reasons. The risk pool association relies on assessments, as well as premiums, to generate revenues. The association assesses health insurers fifty cents per month per group member or individual policy holder. Because state law exempts assessments against state and federal employee group members, and federal law bars assessments against persons in self-funded insurance programs, less than one-half of the population of insured persons in Mississippi generate assessments for the program.

The risk pool has reached approximately one-third of the market of uninsured and uninsurable persons who could afford the pool's coverage. The pool's lack of deeper penetration of the market can be attributed principally to a lack of a promotional plan as required by law. Administratively, the risk pool spends a higher proportion of its total expenditures on administration than do other pools. The method of assessing insurers on the basis of group members and individual policy holders as discussed above has generated large surpluses. At the end of 1993, the pool had a surplus of over \$8.1 million.

In spite of these weaknesses, the pool provides an important benefit to the people of Mississippi. Without the pool, the approximately 540 policy holders would have to expend their own funds and deplete their assets.

Because the legislation creating the risk pool repeals on December 31, 1995, the 1995 Mississippi Legislature will have to decide whether it wants to retain the risk pool. PEER presents policy options for the Legislature to consider with respect to the risk pool.

Background

Concept of Risk Pools

Risk pools provide a means of insuring persons who are denied health insurance for medical reasons. At this time, insurers, particularly those writing small group policies and individual policies, may deny coverage to a person because of that person's medical history. Denials occur because the insurer does not believe that it can insure a person profitably. Some conditions which serve as the basis for denial include cancer, diabetes, and a history of heart disease. When persons are denied such insurance, they must do without coverage and use their own assets, or count on public institutional care.

Beginning in the 1970's, some states began to create risk pools to assist the medically uninsurable in obtaining insurance. These pools, created by state law, become the insurers of the medically uninsurable who can afford to pay insurance premiums. Generally, pools charge their clients a premium higher than that charged for comparable coverage in the marketplace, but must rely on state funds or assessments paid by firms which write health insurance to cover the claims and administrative costs when these exceed the value of premiums collected. Twenty-eight states now have risk pool enabling legislation.

These pools vary from other methods states use to provide insurance for high-risk persons. In insurance fields such as workers' compensation and automobile liability, companies writing insurance in a state are usually required to write insurance for high-risk employers or drivers but can do so at higher rates than those offered to the less risky purchasers of insurance.

The Mississippi Comprehensive Health Insurance Risk Pool Association

Mississippi created its risk pool in 1991. MISS. CODE ANN. Section 83-9-201 et. seq. provides for the creation of the Mississippi Comprehensive Health Insurance Risk Pool Association. This association functions as the governing board for the risk pool and is made up of the following appointees:

- four persons appointed by the Commissioner of Insurance. Two of these are to be from the general public without any association with the medical profession, a hospital, or an insurer, one is to be a representative of medical providers, and one is to represent insurers;

- three persons appointed by participating insurers, with at least one representing not-for-profit insurers and at least one representing domestic insurers; and,
- the chairs of the House and Senate Insurance Committees (non-voting members).

Terms are for three years. The association may select its chairman and may be reimbursed for expenses in accordance with CODE Section 25-3-41. Members may not receive compensation.

Insurance contracts are the contractual obligations of the pool but are issued through an administering insurer. Blue Cross/Blue Shield serves as the administering insurer. Coverage is to be provided by the pool with policies issued through an administering insurer. Blue Cross/Blue Shield receives revenues and pays claims of the 540 persons who are risk pool policy holders.

The association is a not-for-profit corporation. As of the date of this report, it is not a tax-exempt organization under Internal Revenue Code Section 501(c). The association is in the process of seeking 501(c) status through the administrative hearing process of the Internal Revenue Service. The association asserts that the pool should be considered a tax-exempt organization within the meaning of Internal Revenue Code Section 501(c) (4) because it is an organization established to promote social welfare. The director of the association is not certain as to when the IRS will consider this petition. This matter is of considerable importance to the association, as the association receives more in assessments and premiums than it pays out in claims and administrative expenses. If the IRS determines that the association is not tax-exempt, risk pool administrators estimate that the association's accumulated tax liability would be approximately \$4 million if it had to be paid immediately.

Insurance Coverage Offered through the Mississippi Comprehensive Health Insurance Risk Pool Association

MISS. CODE ANN. Section 83-9-221 provides definition and scope for the concept of insurance written under the authority of this act.

The coverage written is for persons eligible and renewable at one-year intervals. Persons who have been terminated by other insurers for reasons other than non-payment of premiums may apply for coverage. Persons eligible for Medicaid or Medicare are not eligible. Further, to be eligible, that individual must show that he has been rejected by a private insurance company three times for health reasons and be a resident of Mississippi for at least two years.

Coverage is as provided for by the association board, except that the policy maximum is \$250,000 (Section 83-9-209). Rates are reflective of risk experience and the expenses necessary to administer the policy of insurance. The Department of Insurance approves rates and are to initially equal 150% of the "average standard risk rates," not to exceed 175% of such rate. This latter limitation stands repealed July 1, 1995.

Coverage is for an amount equal to 80% of the costs incurred above the deductible. Statutes do not set the deductible. Consequently, the pool makes decisions on the policy deductible amount.

With respect to pre-existing conditions, policies written by the association may exclude for twelve months those conditions which manifest themselves within six months after the effective date of the policy or if medical treatment or advice was received within six months of the effective date of the policy.

Coverage may be reduced by workers' compensation or other collateral sources. The association has a cause of action against persons who make claims which should have been paid or were paid by a collateral source.

Effectiveness and Efficiency

The Assessment Burden

The first specific question PEER obtained an answer to regarding the risk pool was:

- **Who bears the burden of paying assessments to support the risk pool?**

While the pool depends on both premiums paid by policy holders and assessments against insurance companies, its assessments are made on individual covered persons of the insurance companies. Because of exemptions in statutes for state and federal employees, and the federal ERISA exemption, assessments are made against less than one-half of the persons insured in Mississippi.

Since becoming operational in 1992, the pool has relied on both premium revenues and assessments to provide it with program funding. Exhibit 1 at page 7 shows the extent to which revenues were derived from assessments and premiums.

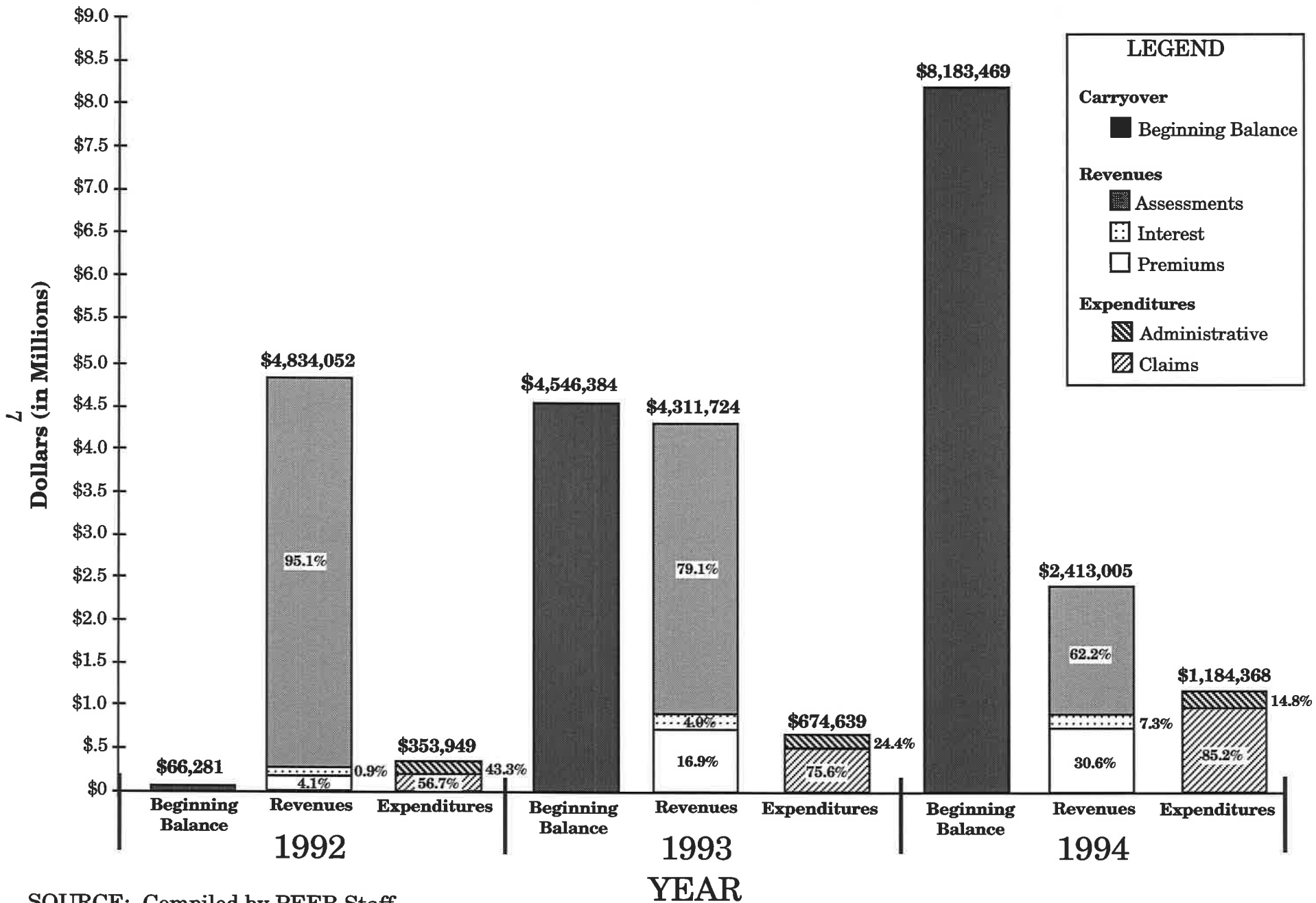
Activities Subject to Assessments

MISS. CODE ANN. Section 83-9-207 makes all insurers participants in this program. Insurers, as defined in Section 83-9-205, include those who write health insurance and supplemental policies in Mississippi. Section 83-9-217 provides that these insurers must assess up to a one-dollar-per-month charge against all covered persons. At present the assessment for "covered persons" is fifty cents per month.

"Covered persons," as defined in Section 83-9-205, includes only the primary insureds or employees covered under insurance contracts. This excludes dependents. Section 83-9-217 also excludes state and federal employers' coverage from the scope of this section. A July 18, 1994, opinion of the Mississippi Attorney General brings within the scope of state employees persons who are in the Public School Employees Health Insurance Plan, established under MISS. CODE ANN. Section 25-15-251 et. seq.

While not specifically excluded under the legislation creating the risk pool, private self-insurance plans which fall within the scope of the federal ERISA (Employee Retirement Income Security Act) law are also not subject to assessments. ERISA is a federal enactment passed in 1974 which provides regulation of self-funded employee retirement and benefits plans. Contained within ERISA is a provision, 29 USC 1144(a), which pre-empts the enforcement of state laws which impact the operations of these programs. Plans established in accordance with ERISA are not deemed to

Exhibit 1
Comparison of Insurance Fund Revenues and Expenditures by Type
(For Years 1992 through 1994)



SOURCE: Compiled by PEER Staff.

be insurance companies. Thus self-insurers in the pension field have considerable freedom from state regulation.

Court decisions make it clear that assessments imposed on ERISA plans violate the above-mentioned provision of law. In *Bricklayers Local No. 1 v. Louisiana Health Insurance Association* 771 F. Supp. 771 (ED La, 1991) the United States District Court for the Eastern District of Louisiana determined that a provision of Louisiana law which made an assessment against all hospital admittees was in violation of ERISA insofar as the assessment affected ERISA insureds.

The Louisiana law required all insurers and self-insurers to pay \$2 for each day an insured person was hospitalized. A \$1 charge was made against all insurers and self-insurers for outpatient procedures. The funds collected were used to fund a catastrophic care program the state had established. The Bricklayers Local No. 1 challenged the assessments, contending that they violated ERISA. The court accepted the plaintiff's contention that the law violated the ERISA preemption provision. While the fee charged was small, and the impact arguably remote, the assessment would benefit non-ERISA-covered persons. ERISA does not allow this. Further, the assessment was made directly against the ERISA plan plaintiffs, which was a form of direct regulation. This is something ERISA was intended to bar by functioning as the sole regulatory body of law for these self-funded employee retirement and benefits plans.

The rationale cited by the courts in *Bricklayers Local No. 1* could easily be applied to the Mississippi law. The Mississippi law would make an assessment on a monthly basis against self-funded plans much as the Louisiana law did. The authority cited as controlling by the Louisiana court, *Iron Workers' Pension Fund v. Terotechnology* 891 F. 2d. 556 (5 Cir, 1990), would be binding on a Mississippi court. This decision found that even remote effects which cause unintended persons to become plan beneficiaries would violate ERISA. Such would happen if ERISA plans paid for the persons in the risk pool.

According to personnel of the risk pool, legislation is pending in Congress which would allow entities such as the pool to impose assessments against ERISA plans. Further, the Solicitor General of the United States has been asked to brief ERISA pre-emption issues in the case of *Cuomo v. Travelers Insurance* , 14 F 3d. 708 (2 Cir, 1994), which is to be heard by the United States Supreme Court. Without congressional authorization, or a United States Supreme Court decision placing assessments outside the scope of the above cited pre-emption provision, the state could not make assessments against ERISA plans without expecting a legal challenge from one which would in all likelihood be successful for the challenger. Consequently, it is wise policy for the Mississippi pool not to attempt to charge the ERISA plans in the state at this time.

The Size of the Insured Population Subject to Assessments

Because of the state and federal law exemptions, only a portion of the persons insured in Mississippi are subject to the monthly assessments.

Based on recent data, there are 27,144 federal employees and retirees in the federal plan; 61,871 school employees in the public school insurance plan; and 52,692 state employees in the state plan. These persons are not subject to assessments. No figures exist for Mississippi residents in ERISA plans, because the administering agency, the United States Department of Labor, does not keep such statistics. It is not essential for that department to know where their covered persons reside.

Pool managers estimate that approximately 50% of all persons with health insurance in Mississippi are in ERISA-exempted self-funded plans. National estimates place the ERISA covered persons closer to 40% of the insured population, and PEER concurs with this estimate. At any rate, only about 42% of the insured population is bearing the burden of the assessments.

Revenue generated by the assessments has been considerable since the pool was made operational in January 1, 1992. For a breakdown of assessment revenues produce for the pool, see Exhibit 1, page 7.

Premium Revenues

The approximately 540 persons insured pay premiums to the risk pool. The average premium is approximately \$220 per month. A detailed breakdown of premium revenues for the pool's operations since January 1, 1992, can be found at page 7.

Claims History of the Risk Pool

Since its operational beginnings on January 1, 1992, the pool's claims have grown from approximately \$200,000 in the first year to over \$1 million for this year to date. This increase can be attributed to the rise in the number of insureds and the lapsing of the pre-existing condition exclusion in policies individuals purchased in 1992 and 1993. For a detailed breakdown of the pool's claims since 1992, see Exhibit 1, page 7.

Effectiveness in Reaching the Uninsured and Uninsurable Market

One question PEER had to answer during the course of this project was:

- **How effective has the pool been in providing insurance to the market of persons who are not insured and are not insurable?**

The Mississippi Comprehensive Health Insurance Risk Pool Association has provided health insurance to a segment of the eligible uninsured population, but is far short of insuring the entire market.

Little information exists on a national or state basis on the exact size of the medically uninsurable population. Nationwide, estimates have varied from 1 million to 1.8 million persons. These persons who have some condition or history of treatment which can give rise to their being denied coverage for medical reasons. The director of the Mississippi Comprehensive Health Insurance Risk Pool Association estimates that approximately one-tenth of one-percent of the state's population is uninsurable. Thus, approximately 2,500 persons in Mississippi would be uninsurable under this estimate. The pool further projects that of these, about 1,500 could afford health care insurance at a premium of approximately \$220 per month. (The pool could not provide a methodology to confirm this number.) PEER estimates that this is an accurate approximation of the number of persons who could afford the coverage and be eligible for the program.

As of November 8, 1994, the risk pool insured 540 persons. Based on the two estimates noted above, this constitutes approximately one-third of the market of persons eligible and able to afford the coverage, far short of the entire market of the medically uninsurable who can afford insurance.

No firm criteria exists on health pool performance regarding share of the eligible market insured. In a 1992 report by Pennsylvania State University, the authors noted that risk pools generally do not reach their entire market. This can be attributed to deductibles, eligibility requirements, premium costs, and marketing inadequacies. Also, many medically uninsurable individuals eventually become eligible for private insurance because they become less risky to insurers.

Regardless of whether a pool can reach the entire market, MISS. CODE ANN. Section 83-9-201 makes it clear that the legislative policy of the state is to establish a mechanism to provide health insurance to those who cannot obtain such for health reasons. Implicit in the creation of the pool is an assumption that the pool will make all reasonable efforts to reach the entire market of the medically uninsurable who can afford coverage. To help facilitate this outreach to the market, MISS. CODE ANN. Section 83-8-

213 specifically requires that the pool develop a promotional plan to inform interested persons about the services of the risk pool.

The pool's modest market penetration can be attributed to the following causes:

No Marketing Plan

MISS. CODE ANN. Section 83-9-213 specifically requires the Comprehensive Health Insurance Risk Pool Association to complete a program to publicize the risk pool, although the law does not state the fundamentals of the promotional program that must be established. The risk pool's efforts in this area of promotion show a lack of the level of planning commonly found in the development of promotional plans.

According to the risk pool's minutes, members were concerned about a lack of public awareness, but did not begin to develop an advertising program until December 1992. This effort as reported in the minutes consisted of developing a simplified brochure and the disseminating of a newsletter to professional organizations in the state. While the pool developed an advertisement for use in the Mississippi Medical Association publication in the summer of 1992, the minutes show no evidence of the pool making an effort to determine the demographic characteristics of the target market and what media would be best for reaching this segment of the insurance-buying market. Determining the target market's characteristics and how best to reach this market are fundamentals of a marketing strategy. Such an effort would have tried to identify location of potential pool clients and which media format (e.g., newspapers, brochures) would best reach these potential clients. Further, it would have identified how to reach the market through intermediaries such as doctors' offices, insurance companies, or perhaps through the assistance and cooperation of the Department of Insurance.

The risk pool has produced brochures on the program and has placed new articles in newspapers of general circulation.

Insufficient Assistance from the Department of Insurance

While state law places no duty on the Department of Insurance to assist the pool, the department has close ties to the program. The Commissioner appoints four members to the association and the department must regulate the activities of the pool. The Commissioner of Insurance acknowledged that his department had not done much to assist the pool in promoting the program. Assistance could have consisted of helping locate uninsurable persons and providing them with information about the risk pool.

Because of the lack of detailed planning, the pool has used a promotional strategy which cannot guarantee that it has made its promotional expenditures so as to inform those persons most in need of the pool's services. While it is true that the pool has not lavishly expended funds on promotion--only \$585 in 1992, and \$4,949 in 1993--this money could have been better directed if formal plans had been used to direct the expenditure of the money.

The pool has not as yet reached approximately 70% of the persons who could be eligible and able to afford the pool's services.

Operational Efficiency of the Risk Pool

In reviewing the efficiency of the pool's operations, PEER conducted field work to answer the following question:

- **How expensive is the pool to operate in relation to other pools?**

When compared to other risk pools in the United States, the Mississippi Comprehensive Health Insurance Risk Pool Association's administrative costs constitute a higher percentage of total expenses than do similar expenses for other risk pools. The method of assessing insurers authorized by MISS. CODE ANN. Section 83-9-217 has produced pool fund balances which greatly exceed the annual costs of operating the risk pool.

Comparison of Administrative Expenses to those of Other Pools

The Mississippi Comprehensive Health Insurance Risk Pool Association, like other bodies of its sort, must pay for a variety of administrative services in order to operate. Typical of the types of services obtained are third-party administrator services, accounting and actuarial services, and legal and accounting services. The pool must also pay for advertising, staffing, and must pay board members for their actual travel-related expenses as provided for under law. Board members do not receive salaries.

According to the financial statements of the pool and unaudited financial information provided for the first three quarters of calendar year 1994, the claims and administrative expenses of the pools were:

Year	Claims Expense	Administrative Expense	Total Expenses
1992	\$ 200,573	\$153,376	\$ 353,949
1993	510,240	164,399	674,639
1994 (to date)	1,009,336	175,032	1,184,368

Thus, for the two complete and one partial years of operation, the percentages of total expenses attributable to administration are:

Year	Administration as a Percentage of Total expenses
1992	43.3%
1993	24.3%
1994 (to date)	14.8%

While administration as a percentage of total expenses is declining sharply, the administrative percentage of total expenses is still higher than in other risk pools (see Appendix, page 21).

While no firm standards on the appropriateness of administrative expenses are available, in 1988 the Maryland Department of Legislative Reference noted that administrative expenses tend to constitute approximately five percent of a risk pool's total expenditures. A review of administrative expenses for other operating risk pools shows considerable variation in the amounts chargeable to administration. Wyoming's administrative expenses are only 1.1% of expenses, but most states fluctuate between four and ten percent.

New pools tend to have a higher percentage of administrative costs. Colorado, for example, had administrative costs of thirty-five percent of total expenses for its first year of operation (1991), which declined to 8.2% in 1993. Kansas, which began operations in 1993, had administrative expenses of 29.7% of total expenses for its first year of operation. Washington expended 99% of its total first-year expenses on administration, and a few states (Indiana, Maine, and Nebraska) can attribute all of their first year costs to administration, as they have had no claims-related expenses. Some states, on the other hand, tend to have start-up administrative expenses which are more in line with those commonly found in older programs.

Mississippi's percentage of administrative expenses is generally higher than those of most states. The higher percentage of administrative expenses relative to total expenses is a function of two significant factors:

Small Pool Size: The Mississippi pool is smaller than many of the pools mentioned above. This can be attributed to the fact that Mississippi has a smaller population than all but ten states with risk pools, and has much lower per capita and family income. Smaller pools have lower aggregate claims expenses. Regardless, the pool still must have actuarial reviews, annual audits, legal services, and general administration. In the early years when the pool had its highest administrative expenses as a percentage of total expenses, the pool was also much smaller than it is today (see Exhibit 1, page 7).

Efforts to Become an IRC Section 501 Tax-Exempt Organization. As discussed above, Mississippi has adopted a unique method of subsidizing premium revenues. While this is discussed in more detail on page 4, the selection of a flat monthly fee of fifty cents on every covered person as defined by law has meant that the pool has collected considerable assessment revenues. These revenues have been far above the amount needed to cover the costs of claims (see Exhibit 1, page 7).

Because of this it has been important for the pool to seek tax-exempt status with the Internal Revenue Service. The administrator of the pools has suggested that costs associated with the pursuit of tax-exempt status have been approximately \$50,000 over the past three years, with approximately \$5,000 in 1992, \$20,000 in 1993, and \$25,000 in 1994. These are expenses that most pools do not have. These particular expenses are for legal services related to pursuing Internal Revenue Service administrative appeals. While administrative expenses are declining, continued high expenses make the pool less efficient than similar entities.

Assessments and Surpluses

Because states generally establish pools in order to provide insurance for persons traditionally unable to obtain insurance at costs they can afford, some form of subsidy is necessary to make up the difference in the costs of paying claims and administering the pool and the revenues generated by premiums. In a 1988 study, the Maryland Legislative Department of Legislative Reference discovered that all pools have costs that exceed their premium revenues. Based on recent information from the other risk pools and the Mississippi Comprehensive Health Insurance Risk Pool Association, this is still the case. See Exhibit 1, page 7, for a summary of other states' experiences.

Mississippi's system of insuring that funds will be available beyond those raised by premiums is a system of assessments allocated to insurance companies writing health insurance in Mississippi on the basis of "covered persons." These insurance companies must pay fifty cents per covered person per month. Since the pool's founding, assessments have yielded the following revenues:

Year	Assessment Revenue
1992	\$4,594,876
1993	3,412,263
1994 (projected to date)	1,500,000

At the end of calendar years 1992 and 1993, the pool had fund balances of \$4,546,384 and \$8,183,469, respectively. These funds were available to be carried over to the following year to fund operation pool operations.

By having this fixed fee assessment, the pool can help assure a more stable revenue stream than it would if it simply relied on assessments to cover quarterly or annual losses. While this system is fiscally conservative, and from the point of view of the pool is beneficial and responsible, this system has caused the pool to generate large annual surpluses above what is necessary to cover claims and administrative expenses. The collections have, in fact, been higher than the amounts needed to pay pool claims.

While the pool collected the above-mentioned amounts in assessments, it was beginning to pay claims. Claims history for the two complete years and one partial year reported show that the pool has had the following claims and administrative expenses:

Year	Claims
1992	\$ 353,949
1993	674,639
1994 (to date)	1,184,368

Thus, without taking into account the collection of premiums from policyholders, the pool collected nearly thirteen times the funds needed to meet expenses in 1992, five times the amount necessary to pay expenses in 1993, and to date about 1.3 times the amount needed to pay expenses in 1994.

While the pool must rely on the above-described assessment system to generate revenues above those produced by premiums, it is not required to use the entire assessment authority. MISS. CODE ANN. Section 83-9-217 authorizes an assessment up to one dollar per covered person per month, but does not *require* that the pool charge this much. In fact, the pool reduced its assessments from one dollar to fifty cents per covered person per month in January 1994. Because the pool carries out a public purpose--that is, insuring that persons needing health care coverage can obtain such without becoming burdens on public and private health care providers--its managers should review its funding to insure that the burdens placed on the private insurance industry and their policyholders are not excessive in light of the benefits accruing to the state and the pool policyholders.

The pool has chosen to act conservatively to insure that it does not have problems such as those which have occurred in states such as Florida, where rising claims have jeopardized the pools' continued existence. In theory, increasing membership and rising claims could mean that the assessment system used by the pool could have a fiscal shortfall if more insureds joined the pool, claims increased, and the assessment base remained constant.

A second cause of the conservatism is the potential tax liability issue discussed earlier at pages 4 and 14. The assessment system as it is used today causes the pool to generate more revenue than is needed to pay claims

and administrative expenses; this causes the pool to be in jeopardy of having tax liability. This jeopardy of tax liability causes the pool to retain large amounts of funds to cover possible liabilities. This creates a continuing cycle of high balances needed to cover possible tax liabilities, currently estimated to be \$4 million.

The effect is that the insurers and the insureds who ultimately bear the burden of paying the assessment provide a generous subsidy for the pool policyholders. Based on 1993 financial and membership information, the pool had approximately 340 policyholders at the end of 1993 and collected an average \$10,036 for every pool policyholder during the year 1993. For 1994, the amount per policyholder is declining because of the decreased assessment and the rising number of policyholders. Based on an assumed assessment of \$1,500,000 for 1994 to date and 540 policyholders, the pool will collect approximately \$2,780 per insured person. This is approximately enough to pay each policyholder's premium based on an average of approximately \$220 per month.

Benefits of a Risk Pool

The final question PEER had to answer with respect to the risk pool was:

- **What benefit does the state derive from the existence of a risk pool?**

While insurers and their policy holders must pay large amounts in assessments to operate the pool, the state and its taxpayers derive a benefit from the operation of the pool, as persons with pool insurance policies have a source of funds to pay for the care they require. This means that the state's public and private hospitals are not required to provide these persons with uncompensated care, costs for which are to some degree covered by the state or other hospital patients.

A loss of coverage for pool members would have considerable financial consequences for policyholders. Based on a report prepared for the pool by Blue Cross/Blue Shield of Mississippi, charges per hospital admission and total benefits per hospital admission for pool members are considerably higher than for other Blue Cross/Blue Shield-administered groups:

Admissions costs Inpatient/outpatient	Risk Pool	Other Blue Cross/Blue Shield Groups
Admissions Charges	\$11,274.94	\$7,154.92
Benefits Charges	8,795.47	5,911.34

This shows that the pool policyholders tend to have more expensive trips to hospitals and physicians. Without the pool coverage, or some other

form of health insurance, policyholders would be forced to expend some or all of their assets in order to receive treatment.

While the admittedly high assessments discussed above do cost the state insurers and their policyholders more money than required to operate the pool, modification of the assessment system as discussed in this report could eliminate this problem and make the pool an unqualified benefit to the health care of the state's residents.

Policy Options and Recommendations

Policy Options for Legislative Action

In view of the impending repeal of the risk pool, and the uncertainties of the regulatory environment, the Legislature has three clear options with respect to the coverage of the uninsured and otherwise medically uninsurable:

Option One: Allow the Risk Pool to Be Repealed

The Department of Insurance is considering a new regulation which would require health insurers of individuals and small groups to establish an open enrollment period during which insurance companies would be required to insure persons regardless of their health condition. This would not effect pre-existing condition limitations for a fixed period. The open enrollment period would run through the month of January of each year. Persons with conditions which would ordinarily result in their being denied coverage would have to seek insurance during the first January following their becoming afflicted with the condition which would ordinarily result in a denial of coverage. Failure to act in this first January would bar these persons from obtaining insurance through the open enrollment period for five years.

In theory, this regulation would allow persons presently insured by the risk pool to become insured by a private corporation. Some states, such as Wisconsin, have adopted similar regulations for small groups of two to twenty persons and have seen a decline in pool membership.

This regulation, if actually promulgated, would not be without its difficulties:

- Persons in the pool who would ordinarily be excluded from private coverages would have to act immediately to obtain insurance or be excluded from coverage for five years.
- Persons now in the pool seeking insurance would be subject to pre-existing condition exclusions which could bar them from receiving inpatient or outpatient benefits for whatever conditions they currently suffer for up to one year after the insurance is written.
- In theory, the legality of the regulation could be challenged in a court of law. A legal challenge, whether successful or unsuccessful, might not be resolved until after the pool is repealed.

In the event that the Department of Insurance promulgates its new regulation regarding open enrollment, the Legislature could allow the pool

to repeal on December 31, 1995. A repeal would make the pool cease to exist, and legislation would be needed to deal with the following problems:

- escrowed retention by the Department of Insurance of sufficient pool funds to deal with the unresolved issue of pool taxation;
- retention of funds, most likely by the Department of Insurance, to cover any claims which might arrive late after the expiration of the pool; and,
- distribution of the remaining funds to carriers.

In the event that the risk pool is repealed on December 31, 1995, the Legislature should require the Department of Insurance to promulgate the above discussed regulation regarding open enrollment for persons seeking individual or group health insurance coverage. The Legislature should also require the risk pool to escrow an appropriate amount to pay its accumulated tax liability (estimated to be approximately \$4 million) should the IRS determine that the pool is not a tax-exempt organization and the pool has been repealed. The risk pool should also set aside sufficient funds to pay incurred but not reported health claims at the time of repeal.

*Option Two: Reenact the Risk Pool Legislation
Until December 31, 1996*

This option could provide the Legislature with time to determine whether proposed insurance regulations regarding open enrollment are promulgated and, if so, whether they will supplant the pool. If such regulations are promulgated, and are not set aside by a court, the Legislature would have the time to do the following:

- determine how to distribute pool assets as discussed above in Option One; and,
- determine how to ensure that pool members would receive uninterrupted care without having to go through another period of exclusion for pre-existing conditions.

In the event that any new regulations were successfully challenged in court, the pool would still be in operation providing coverage to its established members and new members alike.

Use of this option would also leave the pool in operation if the Department of Insurance does not promulgate its proposed regulations.

Option Three: Reenact the Risk Pool without a Repealer

This option would give the risk pool the most flexibility in its future plans. Also, this option would give present policyholders security in knowing that their insurer would be around indefinitely. Should the Legislature adopt this option, it should consider requiring the pool to adopt the PEER recommendations made in this report with respect to future operations so as to make the pool a more effective and efficient deliverer of services.

Recommendations for the Risk Pool

1. The risk pool should devise a marketing plan which will target its promotional efforts to the appropriate segment of the market. This plan should consist of a detailed survey of those presently insured to determine how they learned of the pool. The survey should also attempt to identify the form of media most likely to reach such persons. Further, the pool should request the Department of Insurance to assist in collecting information about persons rejected by private companies. While the department may not be able to release such names to the pool, it could contact them on behalf of the pool and provide information about pool coverage and the means of contacting the pool about becoming a pool client.
2. Although the portion of pool expenses attributable to administration is declining, the pool association should study its administrative expenses to determine whether the pool could increase its efficiency. It should also reduce its legal expenditures after it has resolved its pursuit of tax-exempt status.
3. The pool should request that its actuary review the pool's funding. In doing so, the actuary should consider escrowing a certain amount of funds for tax liability (as of this date, approximately \$4 million), and then determine an appropriate monthly assessment based on projected levels of claims and growth. This study should also determine the appropriate size of a reserve fund for the pool.

Appendix

Comparative Risk Pool Administration as a Percentage of Total Expenditures

The following table summarizes the most recent information available on risk pool administrative costs as a percent of total expenditures:

State	Administration as a % of Total Expenditures
Alaska 1993	23.9%
Connecticut 1993	2.9%
Colorado 1993	8.2%
Florida 1993	7.0%
Illinois 1993	7.8%
Indiana 1993	9.8%
Iowa 1993	5.5%
Kansas 1994 (to date)	15.3%
Louisiana 1993	19.6%
Maine 1993	6.2%
Minnesota 1994 (to date)	5.9%
Missouri 1993	6.9%
Montana 1994 (to date)	10.0%
Nebraska 1993	3.9%
New Mexico 1993	3.6%
North Dakota 1993	4.5%
Oregon 1993	8.0%
Tennessee 1993	2.1%
Washington 1993	5.8%
Wisconsin 1993	2.6%
Wyoming 1993	1.1%

Agency Responses
Mississippi Comprehensive Health Insurance Risk Pool Association

Post Office Box 13748
Jackson, Mississippi 39236

December 30, 1994

The Mississippi Legislature
PEER Committee
222 North President Street
Post Office Box 1204
Jackson, Mississippi 39201

Dear PEER Committee:

At the request of Mr. Ted Booth, PEER Committee Principal Analyst, the Mississippi Comprehensive Health Insurance Risk Pool Association (herein referred to as the "Association") hereby responds to the draft copy of the PEER Committee report entitled "A Performance Evaluation of the Mississippi Comprehensive Health Insurance Risk Pool Association" (herein referred to as the "PEER Report"). The Association appreciates the opportunity to file this response.

BACKGROUND OF ASSOCIATION

Legislative Action

The Mississippi Comprehensive Health Insurance Risk Pool Association Act (the "Act") was enacted by the Mississippi Legislature in 1991. The purpose of the Legislature was to establish a mechanism to allow the availability of a health insurance program and to allow the availability of health and accident insurance coverage to those citizens of Mississippi who, because of health conditions, cannot secure such coverage. This legislation was supported by the insurance and health care provider industries.

Nonprofit Legal Entity

The Act created the Association as a nonprofit legal entity.¹ As such, the members of the Association adopted articles, bylaws and operating rules providing for the operation of the Association. As such and in accordance with the Act, these documents are the legal documents of

¹The Association welcomed PEER's independent review and evaluation of the operations of the Association and cooperated fully with PEER staff in connection with the review. However, the Association points out that the PEER Committee does not appear to have the authority to conduct a review of the Association. This is because the Association is a nonprofit legal entity and not an agency of the State of Mississippi as defined in Section 5-3-53 of the Mississippi Code and no public funds are involved in the operation of the Association. In any event, the Association believes that certain portions of the PEER Report are meritorious and will serve to benefit the Association.

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Page 2

the Association and provide the framework for the Association's organization, operation and, if necessary, dissolution.

The Association is operated subject to the supervision and approval of a nine-member Board of Directors. As provided for in the Act, the board members are experienced professional individuals representative of the general public, the medical profession, health insurance agents and the insurance industry. Accordingly, decisions concerning the management of the Association have been made by capable people who are sensitive to the health care needs of uninsurable individuals. A list of the Association's Board of Directors is attached hereto as Exhibit "A".

Development of Program

The Association retained Tillinghast, a national actuarial consulting firm with significant state health risk pool experience, to assist in developing a benefit plan, setting premium rates and determining an appropriate assessment level in order to meet the projected long range financial obligations of the Association. In connection with these activities the Association, among other things, reviewed the experience of other state health risk pools, some of which had not accumulated sufficient funds to meet their obligations. As a result, the Association deliberately chose to market the program at a slow pace and institute a conservative assessment philosophy consistent with Tillinghast's actuarial projections in order to ensure financial stability.

Marketing Plan

The Association's program to maintain public awareness of the health insurance plan adopted by the Board of Directors of the Association is designed to publicize the plan's existence, eligibility requirements and procedures for enrollment in the most cost effective manner possible. This program has consisted primarily of the distribution of informational materials to insurance agents as well as a series of press releases to Mississippi media, the placement of advertisements and articles in various publications, distribution of plan documents to entities whose members may be eligible for coverage under the plan, and speaking engagements by the Executive Director of the Association as well as other presentations.

Copies of the press release issued on January 15, 1992 and the media to which it was forwarded, the newspaper articles that appeared in The Clarion-Ledger and The Commercial Dispatch as a result of the press release, the full page advertisement in the August, October and December, 1992 editions of Journal of the Mississippi State Medical Association, the Special Article in the July, 1992 edition of Journal of the Mississippi State Medical Association, the article in the February, 1993 edition of Mississippi Medical News, the article in the August 24, 1994 and March 22, 1993 edition of The Clarion-Ledger, the article in the March 23, 1993 edition of Hattiesburg American and the article in the February, 1992 edition of Kiplinger's Personal Finance Magazine are on file at the Association's office and may be obtained by contacting the Association.

A list of speaking engagements of the Executive Director of the Association is also available from the Association. In addition, the plan descriptive brochure has been provided to numerous entities and individuals including insurance agents. The Association continues to seek opportunities to publicize the plan's existence, eligibility requirements and procedures for enrollment.

Assessment Mechanism

Insurance companies, nonprofit health care services plans and third party administrators bear the burden of paying assessments to support the Association. The Association does not assess any individual insured persons nor are insurers required to assess their policyholders monthly charges.

Section 83-9-217 of the Mississippi Code authorizes the Association to assess each insurer an amount not to exceed One Dollar (\$1.00) per covered person per month. Section 83-9-205 defines "insurer" to mean any insurance company or any nonprofit health care services plan authorized in Mississippi to write direct health insurance policies and contracts supplement to health insurance policies or any third party administrator. Section 83-9-205 further defines "third party administrator" to mean any entity who is paying or processing health insurance claims for any Mississippi resident. Finally, Section 83-9-205 defines "covered person" to mean the primary insured or employee (excluding dependents) under each policy, contract or certificate. These statutory provisions clearly provide that assessments may be made only against insurance companies, nonprofit health care services plans and third party administrators. The amount of these assessments is determined by the number of covered persons of each insurer, nonprofit health care services plan or third party administrator, but these assessments are not made against covered persons.

Through the inclusion of third party administrators in the assessment mechanism, the Association has been able to collect assessments with respect to certain self-insurers which are not covered under the ERISA preemption. This distinguishes the Association from most other state health risk pools whose assessment bases are generally limited to insured health benefit plans. For example, the Mississippi State Medical Association has elected to voluntarily participate in the assessment mechanism even though its position is that ERISA preemption may apply. Furthermore, the United States Supreme Court is currently considering the extent of ERISA preemption which, depending upon the Court's decision, could allow the Association to further broaden its assessment base. A broader assessment base would enable the Association to further reduce the level of assessment.

It should be noted that the current level of assessment is 50 cents per covered person per month. The decision to reduce the level of assessment from the original \$1.00 per covered person per month was made possible by the Association's conservative assessment philosophy and was based on an actuarial review by Tillinghast of the Association's claims experience, projected growth, and operating expenses.

Federal Tax Status

The federal tax status of the Association is currently under review by the Internal Revenue Service. The IRS encouraged seeking federal tax exempt status under Internal Revenue Code Section 501(c)(4). The tax status of state health risk pools is an issue of national policy concern, not solely one involving the Association. Other state health risk pools have also experienced difficulty in obtaining tax exempt status under current federal law. As a result, federal legislation expressly granting state health risk pools tax exempt status was introduced. A copy of H.R. 3507 is attached hereto as Exhibit "B".

Independent Financial Audit and Actuarial Review

The Association has since its inception obtained an audit of its books and records by an independent certified public accountant. In connection with these audits the Association has also obtained an actuarial review of its reserves in order to ensure that sufficient funds exist to carry out the insurance policy obligations of the Association.

State Derives Benefit from Association

The State of Mississippi and its taxpayers derive a benefit from the operation of the Association, as persons with Association insurance policies have a source of funds to pay for the care they deserve.

RESPONSES TO PEER RECOMMENDATIONS

The Association responds to the specific recommendations of the PEER Committee that the Association devise a marketing plan, reduce expenses and obtain actuarial review of its finding as follows:

Marketing Plan

The Association has provided coverage to 783 Mississippi residents since its inception in January, 1992. The Association has experienced continued increases in the number of persons to which it provides coverage. The growth of the Association has been consistent with the growth estimated and projected by Tillinghast, the Association's consulting actuarial firm.

As discussed above, the Association has engaged in a systematic approach to publicizing the existence of the plan, the eligibility requirements for the plan and the procedures for enrollment in the plan and to maintaining public awareness of the plan. The Mississippi Department of Insurance has also assisted the Association in its efforts to notify eligible individuals of the existence of Association coverage. Specifically, at the request of the Association and consistent with the

Association's marketing plan, the Mississippi Department of Insurance promulgated a regulation which requires any insurer that rejects a person's application for health insurance coverage because of health conditions to give such person written notice that he or she may be eligible for coverage under the Association plan and furnish to such person the name, address and telephone number of the Association. However, in light of the PEER Report the Association believes it may be appropriate to have a written marketing plan and continue to look for additional ways to expand its marketing efforts.

Association Expenses

The Association believes that it has operated at an efficient level and agrees with PEER's recommendation that the Association should seek to increase its efficiency. The Association has continuously sought to ensure that unnecessary administration costs were not incurred and that administrative expenses were reasonable.²

Actuarial Review

As discussed above, the Association has, from its inception, utilized a national actuarial consulting firm to assist the Association in all facets of its operations to ensure financial stability. The Association intends to continue seeking such assistance including with respect to the particular items included in the PEER Report.

* * * *

The Association agrees with PEER that reenactment of the statute creating the Association without a repealer would give the Association the most flexibility in its future plans. Furthermore, removal of the repealer would assist the Association in its efforts to provide coverage to Mississippi residents eligible for coverage in that there would be no threat that coverage could be lost due to legislative action. Extension of the Association for one year will make it difficult for the Association to effectively pursue its marketing efforts.

²Due to the alternative means by which state risk pools are administered (independent administrator, insurance company employees, use of state employees, etc.) meaningful comparisons of state risk pool administrative expenses are difficult to make. Furthermore, the Association is aware of smaller pools that have incurred greater administrative expenses than the Association.

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PEER Committee
December 30, 1994
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I hope this has been responsive to Mr. Booth's request and informative regarding the operations of the Association. If the PEER Committee should have any further questions please contact either me at 601-932-3704 or Lanny Craft, Executive Director of the Association, at 601-362-0799.

Sincerely,



W. Lee Lewis
Chairman

cc: Board of Directors
Lanny M. Craft

Mississippi Comprehensive Health Insurance Risk Pool Association

Board Of Directors

The Honorable James L. Bean, Jr. *
Chair, Insurance Committee
Mississippi Senate
Hattiesburg, Mississippi

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Executive Vice President
Pan American Life Insurance Company
New Orleans, Louisiana

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Forest, Mississippi

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Jackson, Mississippi 39215-1043

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Lamar Life Insurance Company
Jackson, Mississippi

The Honorable Mary Ann Stevens *
Chair, Insurance Committee
Mississippi House of Representatives
West, Mississippi

David R. White, RHU
Principal, Morgan-White, Ltd.
Jackson, Mississippi

*Ex Officio

Exhibit "A"

103D CONGRESS
1ST SESSION

H. R. 3507

To amend the Internal Revenue Code of 1986 to provide a tax exemption
for health risk pools.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 15, 1993

Mr. PARKER (for himself, Mr. MONTGOMERY, Mr. WHITTEN, Mr. OBERSTAR, Mr. HANCOCK, Mr. JEFFERSON, Mr. PENNY, Mr. SABO, Mr. EMERSON, Mr. TAUZIN, Mr. LIVINGSTON, Mr. FIELDS of Louisiana, Mr. THOMPSON of Mississippi, Mr. TAYLOR of Mississippi, and Mr. POMEROY) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide
a tax exemption for health risk pools.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That (a) subsection (c) of section 501 of the Internal Rev-
4 enue Code of 1986 (relating to list of exempt organiza-
5 tions) is amended by adding at the end thereof the follow-
6 ing new paragraph:
7 “(26) Any corporation, association, or similar
8 legal entity which is created by any State or political

1 subdivision thereof to establish a risk pool to provide
2 health insurance coverage to any person unable to
3 obtain health insurance coverage in the private in-
4 surance market because of health conditions and no
5 part of the net earnings of which inures to the bene-
6 fit of any private shareholder, member, or individ-
7 ual.”

8 (b) The amendment made by subsection (a) shall
9 apply to taxable years beginning after December 31, 1989.

○

MEMBERS OF UNITED STATES HOUSE OF REPRESENTATIVES

COSPONSORS OF H.R. 3507

1. Brewster (Oklahoma) *
2. Clyburn (South Carolina)
3. Emerson (Missouri)
4. Ehlers (Michigan)
5. Fields (Louisiana)
6. Hancock (Missouri) *
7. Inglis (South Carolina)
8. Jefferson (Louisiana) *
9. Livingston (Louisiana)
10. McCrery (Louisiana) *
11. Minge (Minnesota)
12. Montgomery (Mississippi)
13. Oberstar (Minnesota)
14. Parker (Mississippi)
15. Penny (Minnesota)
16. Pomeroy (North Dakota)
17. Ravenel (South Carolina)
18. Sabo (Minnesota)
19. Sensenbrenner (Wisconsin)
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21. Spratt (South Carolina)
22. Talent (Missouri)
23. Tauzin (Louisiana)
24. Taylor (Mississippi)
25. Thompson (Mississippi)
26. Thurman (Florida)
27. Whitten (Mississippi)

* Member of Committee on Ways and Means



STATE OF MISSISSIPPI
Mississippi Insurance Department

GEORGE DALE
Commissioner of Insurance
State Fire Marshal

1804 Walter Sillers Building (39201)
Post Office Box 79
Jackson, Mississippi 39205-0079
(601) 359-3569

CHARLES J. WEEKS
Deputy Commissioner

December 28, 1994

Senator Travis Little, Chairman
Performance Evaluation and
Expenditure Review Committee
P. O. Box 1204
Jackson, Mississippi 39215-1226

Dear Senator Little:

I appreciate the opportunity to respond to the recommendations made in the PEER Committee report on the Mississippi Comprehensive Health Insurance Risk Pool Association. The report entailed extensive research to evaluate the future of the program and will provide helpful information for the Mississippi Legislature in this process.

Based on national statistics, the Association estimates that there may be as many as 2,800 Mississippi residents both uninsured and uninsurable. However, some of these residents are unable to participate in the Association's insurance plan due to inability to afford the premium. When the Legislature established the risk pool program in 1991, it was estimated that the program would eventually cover 1,800 to 2,000 state residents. Extensive study was done of risk pool programs in order to avoid problems that had been encountered in other states. Also, the actuarial firm that was retained by the Association emphatically recommended a pattern of controlled growth. As of this date, the plan has maintained that philosophy in its enrollment of new participants.

The Mississippi Insurance Department has publicized the plan in a number of news releases, speeches and other methods of public exposure as well as the Consumer Assistance Division of the Department provides individual counselling to persons calling this office for assistance. We have also implemented a regulation within the last year to require insurance companies to notify applicants rejected for health insurance of the plan. As we currently have no funds in our budget to develop a public information program for this effort, we have relied on the Association to reach those persons who would be candidates in the plan, and we deem the Association's efforts to be sufficient under these circumstances.

I might note that when the original legislation was developed, the Legislature did not make the plan a division of the Mississippi Insurance Department. If the Legislature had determined the Mississippi Insurance Department should be the agency responsible for the publicity of the plan, we would have assumed that the

Senator Travis Little, Chairman
Performance Evaluation and Expenditure Review Committee
December 28, 1994
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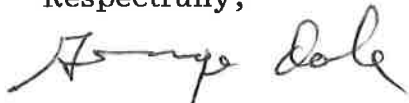
responsibility would have been emphasized in the originating legislation. The Mississippi Insurance Department attempted to support the efforts of the pool rather than usurp their authority to develop their own public information program.

The availability of health insurance for all Mississippians is a major concern to this Department, and we have supported several programs to address this matter. These programs are designed to compliment the intention of the Mississippi Comprehensive Health Insurance Risk Pool and not replace the plan. I also anticipate that with the debate on health care reform in the Congress, Mississippi has taken the forethought to prepare a mechanism which might be modified to address the federal legislation.

I wholeheartedly support the continuation of the plan without a repealer and urge the Legislature do the same. Those individuals who are policyholders are very much concerned with the possibility of loosing their coverage through the plan as there is no alternative program for them to consider.

Your consideration of these issues are very much appreciated.

Respectfully,

A handwritten signature in cursive script, appearing to read "George Dale".

GEORGE DALE
Commissioner

GD/rh

Addendum: Response to the Response

The Health Insurance Risk Pool's response to this report questions PEER's authority to examine the pool because the pool is not a public agency and does not receive public funds. However, the PEER Committee has clear authority under the Mississippi law to investigate or evaluate, for a bona fide legislative purpose, any entity in the State of Mississippi. This authority certainly extends to any creature of statute such as the pool.

PEER Staff

Director

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Steve Miller, General
Counsel and Controller

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Deborah McMinn
Mary McNeill

Planning and Support Division

Max Arinder, Chief
Analyst

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Bonita Sutton
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Katherine Stark
Pam Sutton
Linda Triplett
Larry Whiting
