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STATE HIGH RISK POOL FUNDING EXTENSION ACT OF 2005

JULY 29, 2005.—Ordered to be printed

Mr. ENZI, from the Committee on Health, Education, Labor, and
Pensions, submitted the following

REPORT

[To accompany S. 288]

The Committee on Health, Education, Labor, and Pensions, to which was referred the bill (S. 288) to extend Federal funding for operation of State high risk health insurance pools, having considered the same, reports favorably thereon with an amendment in the nature of a substitute and recommends that the bill (as amended) do pass.

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I. PURPOSE AND SUMMARY OF THE LEGISLATION

The purpose of this legislation is to provide Federal financial assistance to States to encourage them to establish, maintain, and improve their high risk health insurance pools. High-risk pools are State-created and funded initiatives designed to serve a critical segment of the population that has existing health conditions and would otherwise be uninsured. They also help to stabilize State health insurance markets, particularly the individual market.

The legislation achieves this goal by reauthorizing and expanding the high-risk pool grant program that was created as part of the Trade Adjustment Assistance Reform Act (TAA) in 2002. It authorizes grants to States for several purposes.

The legislation authorizes \$15 million in seed money for fiscal years 2005 and 2006 to encourage States to establish qualified high risk pools. The Secretary may award a grant of up to \$1 million to each State that qualifies.

The legislation also authorizes \$75 million in grant money for fiscal years 2005 through 2009 for States with existing qualified high risk pools. These grants must be allotted to States based on a formula whereby 50 percent of the appropriated amount is allocated in equal amounts among each eligible State. Twenty-five percent of the appropriated amount is allocated to an eligible State based on the number of uninsured individuals in the State, and, 25 percent of the appropriated amounts are allocated among the States based on the number of individuals enrolled in health care coverage through the qualified high risk pool.

The \$75 million grant authorization includes two elements. The first element allows the Secretary to award grants to States to offset the losses incurred by the State in connection with the operation of a qualified high risk pool. Two-thirds of the amount appropriated for existing high risk pools can be used for this purpose. To qualify a State high risk pool would have to restrict premiums to no more than 150 percent of the standard risk rate, offer a choice of two or more coverage options, and have a mechanism in effect to ensure continued funding of losses.

The second element allows the Secretary of Health and Human Services to award grants to States with existing high risk pools for purposes of providing supplemental consumer benefits, such as a low-income premium subsidy, lower premiums, richer benefits, greater enrollment, looser eligibility requirements, increased benefits, or disease management. One-third of the \$75 million can be awarded for this purpose. No State can be awarded more than 10 percent of the amount appropriated. Any amounts not used will be reallocated and distributed to States receiving operational grants in amounts determined appropriate by the Secretary.

The legislation generally follows the definition of “qualified high risk pool” established under the Health Insurance Portability and Accountability Act (HIPAA). However, in order to qualify for a grant, a qualified risk pool must accept all HIPAA-eligible individuals and cannot set premiums that exceed 150 percent of the standard risk rate. In addition, a State’s high risk pool would qualify under this legislation if the State instead provides for the enrollment of eligible individuals through a combination of a qualified high risk pool and a HIPAA alternative mechanism.

Alternatively, a State may qualify for a high risk pool grant if it provides HIPAA-eligible individuals, who would otherwise be eligible for coverage in their high risk pool, with access to private-market HIPAA-guaranteed issue insurance coverage that provides substantial protections, including guaranteed access (as defined by the Public Health Service Act Section 2741) and a health care plan that provides for State-defined limits on premiums that do not exceed 150 percent of the standard risk rate. A State can also qualify if it provides guaranteed access, even though some plan premiums

exceed 150 percent of the standard risk rate by no more than 25 percentage points, as long as the plans whose premiums exceed 150 percent provide for more generous coverage in the form of first dollar coverage, lower cost-sharing and comprehensive benefits.

The legislation defines “standard risk rate” to mean a rate based on premiums rates charge by other health insurers in the individual market. It must be established using reasonable actuarial techniques, and reflect anticipated claims experience and expenses for the coverage involved.

II. BACKGROUND AND NEED FOR LEGISLATION

Federal funding for State high risk pools first became available in 2002 as part of the Trade Adjustment Assistance Reform Act (TAA), which created the high risk pool grant program under the Public Health Service Act. The TAA authorized \$20 million in seed grants for 2003 to encourage States to launch high risk pools. States launching qualified new high risk pools could receive up to \$1 million in funding. It also provided grant money to existing qualifying State high risk pools to offset up to 50 percent of losses incurred by the State in connection with the operation of the pool. Under the TAA, the operational grants were allocated based on the number of uninsured individuals in each State.

State high risk pools are State-created and funded non-profit initiatives designed to give individuals with existing health conditions access to private insurance and help stabilize the State health insurance market, particularly the individual market. They help a segment of the population that is not eligible for employer-sponsored coverage or government programs, and would otherwise be uninsured because of their existing health care needs. The first State high risk pools were established in 1976. Today, the number of States with risk pools has risen to 33.

State high risk pools provide a way for otherwise uninsurable individuals to obtain health insurance with rates that are pegged to comparable coverage in the market. However, the capped rate combined with the nature of the risk of the individuals insured, virtually guarantees that claims paid will exceed premiums collected. States employ a variety of funding mechanisms, the most common being an assessment on insurance carriers in the State.

Total claims for all risk pools operating as of June 2004 topped \$1.3 billion, for the 181,000 people covered in the pools. In 2004, the 31 operating State high risk pools had a combined deficit of over \$540 million, an increase of 15 percent from the prior year. Like the private insurance market, high risk pool premiums have also experienced sharp increases in recent years, contributing to the increased losses.

The program established under the TAA has provided crucial help to States for their high risk pools. The grants have helped States to maintain the operations of their high risk pools. In fiscal year 2003, 19 States received a total of \$40 million in grants to offset their operational losses, and six States received a total of \$4.2 million in seed money. In fiscal year 2004, 14 States received a total of \$25.6 million in grants to offset their operational losses. A second round of operational grant funding will take place in the fall of 2005.

The State High Risk Pool Funding Extension Act will extend and expand Federal financial assistance for State high risk pools. The TAA bill authorized seed money for start-up pools for fiscal year 2003, but only four were able to meet the deadline. More States report they would apply for start up funds if the program were extended. And States with existing pools report that additional funding will help them maintain their pools in their current form during this period of health care cost inflation. In addition, some States report that they would provide supplemental consumer benefits, such as expanded enrollment or premium subsidies, if additional Federal funding were made available.

III. LEGISLATIVE HISTORY AND VOTES IN COMMITTEE

On February 3, 2005, Senator Gregg introduced, for himself and Senators Baucus, DeWine, Bingaman, Roberts, Lieberman, Cochran, and Enzi, S. 288, the "State High Risk Pool Funding Extension Act of 2005." The bill was referred to the Committee on Health, Education, Labor, and Pensions. On February 10, 2005, the committee held an executive session and considered S. 288.

During the executive session, Senator Enzi offered a manager's amendment in the nature of a substitute to S. 288, which was approved unanimously. The committee then approved S. 288, as amended, by unanimous voice vote.

IV. EXPLANATION OF BILL AND COMMITTEE VIEWS

The committee believes that State high risk insurance pools are an important mechanism that many States have employed to achieve the dual goals of providing health coverage to a critical segment of their uninsured population and to help keep their insurance markets viable. The committee also generally believes that the funding and operation of high risk pools should remain under State jurisdiction. The committee is concerned that high risk pools are, by definition, designed to operate at a loss, and intends to pursue alternative long term solutions that prevent future escalations in Federal support for State high risk pools.

However, the committee also recognizes better alternatives may not be available at this time. Thus, the committee believes that limited Federal financial assistance, as provided for in the State High Risk Pool Funding Extension Act, will provide needed relief to States, their uninsured residents, and their insurance markets until conditions change or more viable reforms can be implemented.

It is the committee's view that the State high risk pool grant program created in the PHSA by the TAA should be extended, but with some modifications. First, the committee believes that re-authorizing \$15 million in seed grants for fiscal years 2005 and 2006 will encourage more States to establish high risk pools. Only four States were able to meet the deadline under the current program. The committee believes that several more States that are currently in the process of establishing high risk pools will take advantage of these grants and that the existence of the seed money will encourage additional States to adopt high risk pools.

Second, the legislation increases the amount of grant money available for operational losses and strikes the limitation that a

State cannot receive a grant in excess of 50 percent of its high risk pool's operational losses. The legislation also modifies the formula by which the operational grants are allocated. The current formula, which is based on the number of uninsured in a State, directs the bulk of the funds to a few large States with large uninsured populations. The committee believes that this formula fails to provide a base level of support for small States with high risk pools.

The committee believes that the new formula in this legislation is more equitable than current law and achieves multiple public policy goals. The formula provides each State with an equal incentive to establish and or improve their high risk pool. At the same time the formula provides extra assistance to States that operate large risk pools and maintains the public policy goal of reducing the uninsured.

The legislation increases from current law the amount authorized for operational losses from \$40 million to \$75 million. The committee is aware that increasing health care costs and other factors have resulted in greater losses for many State high risk pools and believes that the additional funding will help offset the increased losses. Two-thirds of the \$75 million authorization is allotted for this purpose.

Third, the legislation includes a new bonus pool that can be tapped by States to provide supplemental consumer benefits in connection with their high risk pool. One-third of the \$75 million for operational losses can be used for this purpose. In establishing this bonus pool, the committee recognizes that, although most high risk pools experience losses, each high risk pool has a unique structure and funding and faces unique challenges and opportunities. Some States have been able to add benefits, lower premiums, or employ other strategies to make their risk pools more accessible, especially to low income residents, while other States have just established their pools or are struggling to keep them open.

It is the committee's view that providing private health insurance coverage for formerly uninsurable individuals is an important consumer benefit that a State high risk pool can provide, and that this consumer benefit can't be realized unless high risk pools are solvent. However, the committee also believes that the bonus pool for supplemental benefits will encourage and enable some States to provide additional consumer benefits to make insurance more affordable or accessible that they may not be able to provide without the funding provided by this legislation. By reallocating any undistributed funds under the bonus pool for operational losses, the committee believes that the legislation properly prioritizes the ongoing operation of risk pools and basic benefits, while simultaneously encouraging States that have the capacity to provide supplemental benefits.

Finally, the legislation maintains some elements of the current law definition "qualified high risk pool," but modifies other elements. HIPAA's original definition of "qualified high risk pool," permits high risk pools to set premiums consistent with the NAIC model regulations, which permit premiums of up to 200 percent of the standard risk rate. The TAA legislation required States to limit premiums to 150 percent of the standard risk rate in order to qualify for a grant. This legislation maintains that requirement. It is the committee's view that the grant money made available by this

legislation should help States lower their premiums to no more than 150 percent, thereby expanding access to more uninsured individuals, many of whom are unable to afford the premiums required by high risk pools.

The committee has learned that some States did not qualify for high risk pool grants under current law because, rather than allowing all HIPAA-eligible into their high risk pool, they provide for the enrollment of HIPAA-eligible individuals through a combination of a qualified high risk pool and a HIPAA alternative mechanism. The committee believes that this restriction, which prevented certain States from qualifying for high risk pool grants, had the unintended consequence of penalizing the uninsured population of certain States that complied with the original provisions of HIPAA, and thus struck the requirement.

The committee has also learned that some States have capped appropriations that require the State to periodically cap high risk pool enrollment, which prevents them from qualifying for high risk pool grants, even if they provide alternative private market coverage that is comparable or more generous than coverage under their high risk pool. Thus, the legislation makes an additional exception to ensure that States in this situation are not disqualified from receiving high risk pool grants, so long as the private coverage provides the substantial protections.

The committee understands some States are exploring innovative approaches to high risk pool structures, such as using a risk pool as a reinsurance or risk adjustment mechanism. Under this approach, "high risk" individuals could sign up for coverage with commercial carriers rather than be segregated into a separate pool, and the reinsurance pool would serve as a risk adjustment mechanism among carriers. As the committee understands it, this approach is consistent with more traditional high risk pools in that it is designed to provide high risk individuals with private coverage options and protect individual carriers from adverse selection, while lowering the cost of insurance to all individuals in the non-group market. The committee believes that this model is consistent with the goals of high risk pools and the requirements of law governing high risk pools, including this legislation, and encourages federal administrators to consider such innovative approaches in awarding grants under this legislation.

V. COST ESTIMATE

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, February 16, 2005.

Hon. MIKE B. ENZI,
*Chairman, Committee on Health, Education, Labor, and Pensions,
U.S. Senate, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 288, the State High Risk Pool Funding Extension Act of 2005.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Shinobu Suzuki.

Sincerely,

DOUGLAS HOLTZ-EAKIN,
Director.

Enclosure.

S. 288—State High Risk Pool Funding Extension Act of 2005

Summary: S. 288 would amend the Public Health Service Act to extend the funding for the creation and operation of a state high-risk health insurance pool. The high-risk pools offer health insurance to individuals who cannot obtain coverage in the marketplace. Under an authorization that expired in 2004, the Department of Health and Human Services (HHS) provided seed grants to States to create a high-risk health insurance pool and operational grants for the losses incurred in connection with the operation of a pool. S. 288 would extend the funding for the seed grants through 2006 and would increase and extend the funding for the operational grants through 2009. In addition, the bill would alter how grants are allotted to States. CBO estimates that enacting S. 288 would increase direct spending by \$14 million in 2005 and \$355 million over the 2005–2010 period. Enacting S. 288 would not affect revenues.

S. 288 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would extend and expand appropriations for grants to States that operate high-risk insurance pools. Any costs associated with the requirements of those grants would be incurred voluntarily.

Estimated cost to the Federal Government: The estimated budgetary impact of S. 288 is shown in the following table. The costs of this legislation fall within budget function 550 (health).

	By fiscal year, in millions of dollars—					
	2005	2006	2007	2008	2009	2010
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	90	75	75	75	75	0
Estimated Outlays	14	53	75	75	75	63

Basis of estimate: S. 288 would amend the Public Health Service Act to reauthorize a program that provided grants to States that establish a qualifying health insurance pool for high-risk individuals. The bill would appropriate \$15 million in 2005 and 2006 for seed grants to States to establish qualified high-risk health insurance pools, and would appropriate \$75 million a year for fiscal years 2005 through 2009 for grants to States to defray the cost of operating high-risk pools. The original program appropriated funds for seed grants during 2003 and for grants to defray operating costs during 2003 and 2004. CBO estimates that enacting S. 228 would increase direct spending by \$14 million in 2005 and \$355 million over the 2005–2010 period.

The seed grant program would provide grants of up to \$1 million to each State that establishes a qualified high-risk insurance program. Based on the experience of the original seed grant program, and on information from HHS regarding the number of States likely to qualify for seed grants in 2005, CBO estimates that direct

spending for seed grants would total \$2 million in 2005 and \$5 million over the 2005–2010 period.

S. 288 would eliminate both the original requirement that each State match the amount of the Federal grant to defray the cost of operating a high-risk pool and the corresponding limit on the Federal contribution to no more than half of the operating loss of the pool. The bill would require that a portion of the funds for operational grants be used for grants to provide supplemental benefits, such as premium subsidies for low-income individuals, a reduction in premiums or other cost-sharing requirements, an expansion or broadening of the pool of individuals eligible for coverage, or increased benefits to enrollees or potential enrollees in a qualified high-risk pool. However, on June 30 of each fiscal year, unspent funds allocated to grants for supplemental benefits would be distributed to the States receiving operational grants that cover incurred losses.

The bill also would modify the formula for allocating funds to States to give half of the funds to eligible States equally and apportion the other half based on the number of uninsured individuals in each State and the number of enrollees in the State's qualified high-risk pool. Previously, all funds were allotted based solely on the number of uninsured individuals in the State. Based on the operating losses of the existing pools (in 31 States), CBO expects that all of the appropriated funds would be spent, with direct spending of \$14 million in 2005 and \$355 million over the 2005–2010 period.

Intergovernmental and private-sector impact: S. 288 contains no intergovernmental or private-sector mandates as defined in UMRA and would expand appropriations for grants to States that operate high-risk insurance pools. Any costs associated with the requirements of those grants would be incurred voluntarily. This bill contains no private-sector mandates as defined in UMRA.

Estimate prepared by: Federal Costs: Shinobu Suzuki. Impact on State, Local, and Tribal Governments: Leo Lex. Impact on the Private Sector: Chapin White.

Estimate approved by: Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

VI. APPLICATION OF LAW TO THE LEGISLATIVE BRANCH

Section 102(b)(3) of Public Law 104–1, the Congressional Accountability Act (CAA) requires a description of the application of this bill to the legislative branch. The committee has determined that there is no impact on the legislative branch.

VII. REGULATORY IMPACT STATEMENT

Pursuant to the requirements of paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the committee has determined that the bill will not have a significant regulatory impact.

VII. SECTION-BY-SECTION ANALYSIS

Section 1. Short title. Establishes the short title as the “State High Risk Pool Funding Extension Act of 2005”.

Section 2. Extension of Funding for Operation of State High Risk Health Insurance Pools—Amends section 2745, Promotion of Quali-

fied High Risk Pools, of the Public Health Service Act (42 U.S.C. 300gg-45).

Subsection (a)—Extension of Seed Grants to States—Authorizes the Secretary to award grants under subsection (d)(1)(A) of up to \$1,000,000 to each State that has not created a qualified high-risk pool as of the date of the enactment of this section for the State's costs of creation and initial operation of such a pool.

Subsection (b)—Grants for Operational Losses—

Paragraph (1)—Authorizes the Secretary to award grants for losses incurred by the State in connection with the operation of the pool. To qualify, a risk pool must restrict premiums charged under the pool to no more than 150 percent of the premium for applicable standard risk rate; offer a choice of two or more coverage options through the pool; and have in place a mechanism to ensure continued funding of losses incurred by the State after the end of fiscal year 2004 in connection with operation of the pool.

Paragraph (2)—Allotment—The amounts appropriated shall be made available as follows:

Subparagraph (A)—An amount equal to 50 percent of the appropriated amount for the fiscal year to be allocated equally to each State that applies for assistance.

Subparagraph (B)—An amount equal to 25 percent of the appropriated amount for the fiscal year to be allocated among the States so that the amount is the same ratio as that available to the number of uninsured individuals in all States.

Subparagraph (C)—An amount equal to 25 percent of the appropriated amount for the fiscal year to a State that bears the same ratio as the number of individuals enrolled in the respective State's high risk pool as compared to those in all States.

Subsection (c)—Bonus Grants for Supplemental Consumer Benefits—

Paragraph (1)—In General. If a State has an established qualified high-risk pool, the Secretary may award grants for supplemental consumer benefits to enrollees or potential enrollees.

Paragraph (2)—Benefits—A State shall use amounts received to provide one or more of the following benefits: (A) a low-income premium subsidy, (B) a reduction in premiums, (C) trends or cost-sharing, an expansion or broadening eligibility, (D) waiver of pre-existing conditions, (E) increased benefits, or (G) the establishment of disease management programs.

Paragraph (3)—Limitation—No State shall receive an amount that exceeds 10 percent of the amount appropriated for the fiscal year.

Paragraph (4)—Rule of Construction—Nothing prohibits States that are in the process of implementing supplemental consumer benefits, on the date of enactment of the State High Risk Pool Funding Extension Act of 2004, from being eligible for a grant under this subsection.

Subsection (d)—Funding—

Paragraph (1)—Authorizes and appropriates funds.

Subparagraph (A)—\$15,000,000 for the period of fiscal years 2005 and 2006 to carry out seed grants to States under subsection (a).

Subparagraph (b) \$75,000,000 for each of the fiscal years 2005 through 2009, of which (i) two-thirds of the amount shall be made

available for allotments for operational losses under subsection (b)(2); and (ii) one-third of the amount shall be made available for allotments for supplemental consumer benefits under subsection (c)(2).

Paragraph (2)—Availability—Funds shall remain available for obligation through the end of the following fiscal year.

Paragraph (3)—Reallotment—If on June 30 of each fiscal year, the Secretary determines that all the amounts appropriated for supplemental consumer benefits under subsection (c)(2), then the remainder shall be allotted among States receiving operational loss grants under subsection (b)(2) in amounts determined appropriate by the Secretary.

Paragraph (4)—No Entitlement—No State is entitled to a grant.

Subsection (e)—Applications—To be eligible for a grant, a State must comply with timing, manner, and content that the Secretary requires for an application for a grant.

Subsection (f)—Definitions—

Paragraph (1)—Qualified High Risk Pool.

Paragraph (2)—Standard Risk Rate.

Paragraph (3)—State.

IX. CHANGES IN EXISTING LAW

In compliance with rule XXVI paragraph 12 of the Standing Rules of the Senate, the following provides a print of the statute or the part or section thereof to be amended or replaced (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

Public Health Service Act

* * * * *

[SEC. 2745. PROMOTION OF QUALIFIED HIGH RISK POOLS.

[(a) SEED GRANTS TO STATES.—The Secretary shall provide from the funds appropriated under subsection (c)(1) a grant of up to \$1,000,000 to each State that has not created a qualified high risk pool as of the date of the enactment of this section for the State's costs of creation and initial operation of such a pool.

[(b) MATCHING FUNDS FOR OPERATION OF POOLS.—

[(1) IN GENERAL.—In the case of a State that has established a qualified high risk pool that—

[(A) restricts premiums charged under the pool to no more than 150 percent of the premium for applicable standard risk rates;

[(B) offers a choice of two or more coverage options through the pool; and

[(C) has in effect a mechanism reasonably designed to ensure continued funding of losses incurred by the State after the end of fiscal year 2004 in connection with operation of the pool;

the Secretary shall provide, from the funds appropriated under subsection (c)(2) and allotted to the State under paragraph (2), a grant of up to 50 percent of the losses incurred by the State in connection with the operation of the pool.

[(2) ALLOTMENT.—The amounts appropriated under subsection (c)(2) for a fiscal year shall be made available to the States in accordance with a formula that is based upon the number of uninsured individuals in the States.]

[(c) FUNDING.—Out of any money in the Treasury of the United States not otherwise appropriated, there are authorized and appropriated—

[(1) \$20,000,000 for fiscal year 2003 to carry out subsection (a); and

[(2) \$40,000,000 for each of fiscal years 2003 and 2004 to carry out subsection (b).]

Funds appropriated under this subsection for a fiscal year shall remain available for obligation through the end of the following fiscal year. Nothing in this section shall be construed as providing a State with an entitlement to a grant under this section.

[(d) QUALIFIED HIGH RISK POOL AND STATE DEFINED.—For purposes of this section, the term “qualified high risk pool” has the meaning given such term in section 2744(c)(2) and the term “State” means any of the 50 States and the District of Columbia.]

SEC. 2745. PROMOTION OF QUALIFIED HIGH RISK POOLS.

(a) *EXTENSION OF SEED GRANTS TO STATES.*—*The Secretary shall provide from the funds appropriated under subsection (d)(1)(A) a grant of up to \$1,000,000 to each State that has not created a qualified high risk pool as of the date of enactment of this section for the State’s costs of creation and initial operation of such a pool.*

(b) *GRANTS FOR OPERATIONAL LOSSES.*—

(1) *IN GENERAL.*—*In the case of a State that has established a qualified high risk pool that—*

(A) restricts premiums charged under the pool to no more than 150 percent of the premium for applicable standard risk rates;

(B) offers a choice of two or more coverage options through the pool; and

(C) has in effect a mechanism reasonably designed to ensure continued funding of losses incurred by the State after the end of fiscal year 2004 in connection with operation of the pool;

the Secretary shall provide, from the funds appropriated under subsection (d)(1)(B)(i) and allotted to the State under paragraph (2), a grant for the losses incurred by the State in connection with the operation of the pool.

(2) *ALLOTMENT.*—*The amounts appropriated under subsection (d)(1)(B)(i) for a fiscal year shall be made available to the States (or the entities that operate the high risk pool under applicable State law) as follows:*

(A) An amount equal to 50 percent of the appropriated amount for the fiscal year shall be allocated in equal amounts among each eligible State that applies for assistance under this subsection.

(B) An amount equal to 25 percent of the appropriated amount for the fiscal year shall be allocated among the States so that the amount provided to a State bears the same ratio to such available amount as the number of uninsured individuals in the State bears to the total number

of uninsured individuals in all States (as determined by the Secretary).

(C) An amount equal to 25 percent of the appropriated amount for the fiscal year shall be allocated among the States so that the amount provided to a State bears the same ratio to such available amount as the number of individuals enrolled in health care coverage through the qualified high risk pool of the State bears to the total number of individuals so enrolled through qualified high risk pools in all States (as determined by the Secretary).

(c) **BONUS GRANTS FOR SUPPLEMENTAL CONSUMER BENEFITS.**—

(1) **IN GENERAL.**—In the case of a State that has established a qualified high risk pool, the Secretary shall provide, from the funds appropriated under subsection (d)(1)(B)(ii) and allotted to the State under paragraph (3), a grant to be used to provide supplemental consumer benefits to enrollees or potential enrollees (or defined subsets of such enrollees or potential enrollees) in qualified high risk pools.

(2) **BENEFITS.**—A State shall use amounts received under a grant under this subsection to provide one or more of the following benefits:

(A) Low-income premium subsidies.

(B) A reduction in premium trends, actual premiums, or other cost-sharing requirements.

(C) An expansion or broadening of the pool of individuals eligible for coverage, including eliminating waiting lists, increasing enrollment caps, or providing flexibility in enrollment rules.

(D) Less stringent rules, or additional waiver authority, with respect to coverage of pre-existing conditions.

(E) Increased benefits.

(F) The establishment of disease management programs.

(3) **LIMITATION.**—In allotting amounts under this subsection, the Secretary shall ensure that no State receives an amount that exceeds 10 percent of the amount appropriated for the fiscal year involved under subsection (d)(1)(B)(ii).

(4) **RULE OF CONSTRUCTION.**—Nothing in this subsection shall be construed to prohibit States that, on the date of enactment of the State High Risk Pool Funding Extension Act of 2005, are in the process of implementing programs to provide benefits of the type described in paragraph (2), from being eligible for a grant under this subsection.

(d) **FUNDING.**—

(1) **IN GENERAL.**—Out of any money in the Treasury of the United States not otherwise appropriated, there are authorized and appropriated—

(A) \$15,000,000 for the period of fiscal years 2005 and 2006 to carry out subsection (a); and

(B) \$75,000,000 for each of fiscal years 2005 through 2009, of which—

(i) two-thirds of the amount appropriated for a fiscal year shall be made available for allotments under subsection (b)(2); and

(ii) one-third of the amount appropriated for a fiscal year shall be made available for allotments under subsection (c)(2).

(2) *AVAILABILITY.*—Funds appropriated under this subsection for a fiscal year shall remain available for obligation through the end of the following fiscal year.

(3) *REALLOTMENT.*—If, on June 30 of each fiscal year, the Secretary determines that all amounts appropriated under paragraph (1)(B)(ii) for the fiscal year are not allotted, such remaining amounts shall be allotted among States receiving grants under subsection (b) for the fiscal year in amounts determined appropriate by the Secretary.

(4) *NO ENTITLEMENT.*—Nothing in this section shall be construed as providing a State with an entitlement to a grant under this section.

(e) *APPLICATIONS.*—To be eligible for a grant under this section, a State shall submit to the Secretary an application at such time, in such manner, and containing such information as the Secretary may require.

(f) *DEFINITIONS.*—In this section:

(1) *QUALIFIED HIGH RISK POOL.*—

(A) *IN GENERAL.*—The term “qualified high risk pool” has the meaning given such term in section 2744(c)(2), except that with respect to subparagraph (A) of such section a State may elect to provide for the enrollment of eligible individuals through—

(i) a combination of a qualified high risk pool and an acceptable alternative mechanism; or

(ii) other health insurance coverage described in subparagraph (B).

(B) *HEALTH INSURANCE COVERAGE.*—Health insurance coverage described in this subparagraph is individual health insurance coverage—

(i) that meets the requirements of section 2741;

(ii) that is subject to limits on the rates charged to individuals;

(iii) that is available to all individuals eligible for health insurance coverage under this title who are not able to participate in a qualified high risk pool; and

(iv) the defined rate limit of which does not exceed the limit allowed for a qualified risk pool that is otherwise eligible to receive assistance under a grant under this section.

(C) *OTHER COVERAGE.*—In addition to coverage described in subparagraph (B), a State may provide for the offering of health insurance coverage that provides first dollar coverage, limits on cost-sharing, and comprehensive medical, hospital and surgical coverage, if the limits on rates for such coverage do not exceed 125 percent of the limit described in subparagraph (B)(iv).

(2) *STANDARD RISK RATE.*—The term “standard risk rate” means a rate—

(A) determined under the State high risk pool by considering the premium rates charged by other health insurers

offering health insurance coverage to individuals in the insurance market served;

(B) that is established using reasonable actuarial techniques; and

(C) that reflects anticipated claims experience and expenses for the coverage involved.

(3) STATE.—The term “State” means any of the 50 States and the District of Columbia.

