



in focus

The Trade Act of 2002: Coverage Options for States

by Stan Dorn

In Focus briefs are a new SCI product. They provide answers to questions that state officials may have about new health care policies and coverage trends. For this brief, SCI asked policy expert Stan Dorn of the Economic and Social Research Institute to address the Trade Act of 2002 and its coverage implications for states.

Introduction

The Trade Act of 2002, signed into law on August 6, 2002, as P.L. 107-210, gave the President increased authority to liberalize trade with other countries. The legislation also sought to protect workers displaced by trade by expanding the country's system of Trade Adjustment Assistance (TAA), which previously included only cash aid and job training. One such expansion now helps displaced workers obtain health coverage.

More broadly, however, the Trade Act provided the vehicle for modest health coverage expansions going beyond the trade context. It accomplishes this by providing a fully refundable, advanceable federal income tax credit to cover health insurance costs for certain displaced workers harmed by foreign trade and retirees receiving payments from the Pension Benefit Guarantee Corporation (PBGC). The trade bill also establishes two new federal grant programs for states. The first uses the Department of Labor's (DOL) National Emergency Grant (NEG) program to help states provide health coverage to tax-credit beneficiaries. The second funds the establishment and operation of state high-risk health insurance pools.

In the near term, states may be interested in this legislation because they seek new federal funds to help them maintain current coverage

levels during an economic crisis. In the long term, this legislation provides a rare opportunity for health and workforce agencies to collaborate and strengthen working relationships. One section of the trade bill provides the first financial support ever offered by the federal government for state high-risk pools. Another section includes the country's first experiment with health insurance tax credits since the ill-fated Bentsen child health credits of the early 1990s. The success or failure of these features of the Trade Act could influence whether future federal and state policy follows similar directions.

This brief answers some of the common questions that state officials may have about the Trade Act and how it applies to coverage discussing three areas in turn: health insurance tax credits; the new NEG grants for health coverage; and federal grants for state high-risk pools. A glossary of acronyms is available on page 8.

Health coverage tax credits

These credits pay 65 percent of covered health insurance premiums for qualified individuals. Assisted by the federal grants described in the next section of this brief, states are expected to play important administrative roles in operationalizing health insurance tax credits. This section describes some of the credits' key features involving administration, eligibility, and health plan enrollment.



AcademyHealth

Advancing Research, Policy and Practice

AcademyHealth is the national program office for SCI, an initiative of The Robert Wood Johnson Foundation.

Administrative arrangements to help laid-off workers

Q. Can tax credits help unemployed workers with incomes so low that they owe no federal income tax?

A. Yes. Like the Earned Income Tax Credit (EITC), these health insurance tax credits are fully refundable. In other words, even individuals who owe no income tax receive these tax credits in full.

Q. Tax credits are typically received at the end of the year, after households send their annual tax forms to the IRS. How will this help low- and moderate-income workers make monthly premium payments to health insurers?

A. Beginning in August 2003, these tax credits are advanceable. That is, beneficiaries can arrange for the federal government to pay the credits on a monthly or other periodic basis to health insurance companies as premiums come due.

Q. What happens before August 2003?

A. States can use some new NEG grant funding, described on p. 4, to pay 65 percent of premiums “up front” before advance payment is implemented. Also, credits may be claimed on year-end tax forms for health coverage obtained in December 2002 or later. Such forms are currently available from the IRS for 2002 tax returns.

Q. Why will low-income individuals accept advance payment of health insurance tax credits when very few have exercised a similar option under the EITC program?

A. Advance payment for EITC is not used much for several reasons. Some experts suggest that the program is not well known. In addition, many low-income workers fear their tax refunds could be endangered or they could wind up owing money to the IRS if their advance payments turn out to be excessive because household income rose unexpectedly during the year.

With health insurance tax credits, on the other hand, household income does not affect eligibility for credits, so the risks are not comparable. Moreover, EITC payments are valuable whether received during the year or after filing annual tax forms. By contrast, for individuals from low-income households who cannot make monthly insurance payments without the health insurance tax credits, such credits must be taken in advance when premiums are due or not used at all.

Q. How will insurance companies and others know who qualifies for advance payment of tax credits?

A. A health insurance tax-credit beneficiary seeking such advance payment must obtain a certificate of eligibility from their state workforce agency. PBGC beneficiaries will obtain certificates from PBGC or the

Treasury Department’s private contractor. Insurers may use these certificates to obtain advance payments. Such insurers must report these payments by filing information returns with the IRS and sending copies to the insured beneficiaries.

Q. Will insurance companies be responsible for combining the tax credit’s payment of 65 percent of premiums with the family’s payment of the remaining 35 percent?

A. No. The Treasury Department’s contractor will combine payments and furnish participating insurers with the complete premium on behalf of beneficiaries.

Eligibility for tax credits

Q. Who qualifies for these credits?

A. Three basic groups are eligible:

- ◆ Workers certified by DOL as losing their jobs because of foreign competition and who therefore either (a) receive TAA cash payments (called Trade Readjustment Allowances, or TRAs) or (b) are ineligible for TRAs because they have not exhausted unemployment insurance (UI).
- ◆ Recipients of Alternative Trade Adjustment Assistance (ATAA), which will begin in August 2003. ATAA will make up part of reduced income for certain workers aged 50 years and older who lost their jobs because of foreign trade and then began a different line of work for lower pay.
- ◆ Retirees aged 55 to 64 who receive payments from PBGC, which assists retirees of certain companies that no longer pay promised pensions.

Q. How many people are in each group?

A. The first and third groups are each predicted to include roughly 135,000 workers and their dependents. The second group is expected to include relatively few beneficiaries. These numbers are only approximations; it is impossible to foresee with certainty the impact of the Trade Act’s substantial expansions in the underlying TAA system itself. Moreover, state outreach efforts could increase the number of health insurance tax-credit beneficiaries.

Q. Is the number of beneficiaries likely to remain stable year after year?

A. It depends on the eligibility group. In most states, the number of PBGC retirees is fairly stable over time, and changes are typically predictable. However, the number of TAA recipients can change significantly from year to year, as different local industries fall prey to foreign competition. Presumably similar fluctuations will apply both to the expanded TAA system and to health insurance tax credits.

Q. How does a worker get certified by DOL as losing employment because of foreign competition?

A. A petition for DOL certification can be filed by any group of three or more workers at a trade-affected company, a recognized union official or other labor representative, an official of the company, or certain state labor agencies and their partners. The petition is filed both with DOL and the state workforce agency. DOL is required to rule on the petition within 40 days. DOL grants a petition if a significant number or proportion of workers at a firm lose or are threatened with losing employment or hours because of increased imports or a shift of production that results from increased free trade. In addition, DOL certifies “secondarily affected” workers at certain firms harmed by the immediate ripple effects of increased free trade. For example, suppose DOL certifies that foreign competition caused a textile manufacturing plant to close. When a zipper manufacturer lays off workers because it no longer sells to that textile manufacturer, the laid-off workers at the zipper plant are certified as “secondarily affected workers” and qualify for TAA.

Q. Can a state health agency petition DOL for certification?

A. DOL has not addressed this question. However, by offering services at One Stop centers maintained by state workforce agencies, state health agencies might become “partners” of state workforce agencies that can file petitions on behalf of laid-off workers under the statute.

Q. After DOL certification, how do workers get TAA?

A. They apply for it at the same local agency that administers UI. Weekly TRAs equal whatever the state pays for UI and begin after UI payments end. TRAs may continue for up to two years, provided all other TAA eligibility requirements continue to be met. Once a displaced worker begins a new job, TAA ends (except for the new ATAA program, described on p. 2, which starts in August 2003).

Q. Which workers qualify for health insurance tax credits because their continued receipt of UI makes them ineligible for TRAs?

A. Such workers must meet all of the following requirements: (1) their separation from employment (that is, job loss or reduced hours) must have occurred within specified time periods; (2) they must have worked at the trade-impacted firm for at least 26 of the 52 weeks preceding the separation; (3) they must qualify for UI; and (4) they must either be enrolled in training or have had training requirements formally waived.

Q. Can health insurance tax credits pay premiums for displaced workers’ spouses and other dependents?

A. Yes, as long as they meet other eligibility requirements.

Q. What factors bar credit eligibility?

A. First, health insurance tax credits are unavailable to individuals who are imprisoned under federal, state, or local authority. Second, for tax credits to help pay health insurance premiums, the covered individual must not be enrolled in certain “other coverage.” For example, tax

credits are denied to individuals enrolled in Medicaid, the State Children’s Health Insurance Program (SCHIP), the Federal Employees Health Benefits Program (FEHBP), or coverage provided by their spouse’s employer, if that employer pays 50 percent or more of health insurance premiums.

Q. How is that 50 percent calculated? By looking at the cost of adding an unemployed worker to the employed spouse’s policy? Or by evaluating the entire cost of covering both the employed spouse and the unemployed worker?

A. No formal interpretation has yet been issued. However, the most likely outcome is to consider the employer’s subsidy for the entire cost of family coverage.

Health plans that credits may help buy regardless of state policy

Q. Do any restrictions limit the application of the credits?

A. Yes. The health insurance purchased by tax credits must be qualified health coverage, which includes:

- ◆ Coverage available from former employers through COBRA.
- ◆ Coverage in the nongroup market for workers who had nongroup coverage during their final 30 days before job loss.
- ◆ Coverage available from a spouse’s employer who pays less than 50 percent of health insurance premiums. (See the earlier discussion about the 50 percent rule.)

Health plans that credits may help buy in participating states

Q. What else can qualified health coverage include?

A. If a state elects to offer qualified health insurance to tax-credit beneficiaries, and that insurance meets certain requirements, it may be purchased with credits.

Q. What kind of health insurance can a state offer?

A. States may offer any combination of the following:

- ◆ Coverage from former employers subject to state mini-COBRA laws (i.e., laws requiring firms with fewer than 20 workers to offer continuation coverage to former workers);
- ◆ Plans offered through a qualified high-risk pool, which: (a) cover, without preexisting condition limits, Health Insurance Portability and Accountability Act (HIPAA) eligibles leaving group coverage; and (b) offer premium rates and covered benefits consistent with the National Association of Insurance Commissioners’ (NAIC) Model Health Plan for Uninsurable Individuals Act (in effect as of August 21, 1996);
- ◆ State employee insurance or comparable coverage;

- ◆ Coverage through a state’s arrangement with a group health plan, an issuer of health insurance coverage, a health plan administrator, an employer, or a private-sector purchasing pool; and
- ◆ A state-operated health plan that does not receive federal financial participation, such as federal matching funds for Medicaid and SCHIP.

Q. What requirements must such state-based plans satisfy?

A. For individuals who had at least three months of employer-sponsored coverage immediately before seeking to enroll in a state-based plan, such plans must provide:

- ◆ Guaranteed issue for each individual paying the premium (including through advance payment of tax credits);
- ◆ Coverage without preexisting condition exclusions;
- ◆ Premiums that do not exceed those charged to similarly situated individuals not receiving tax credits; and
- ◆ Benefits that are identical or substantially similar to those for similarly situated individuals not receiving tax credits.

Q. May tax credits be used to purchase coverage through a state arrangement for a given plan or plans to offer nongroup coverage to tax-credit beneficiaries? What about an arrangement for health coverage made by several states acting jointly?

A. IRS has not yet formally ruled on these questions, but such arrangements are likely to be found permissible, as long as other statutory requirements for state-based coverage are satisfied (e.g., guaranteed issue and non-discrimination).

Q. How should a state indicate that it wishes to “opt in” and offer state-based coverage?

A. The procedures are being developed and official guidance may be issued in the near future. For now, states wishing to participate have simply informed officials at Treasury, DOL, and HHS. Ultimately, HHS may assume a central role certifying state-based coverage as complying with the Trade Act.

Q. Can a state use its existing Medicaid and SCHIP health insurance programs to serve health insurance tax-credit beneficiaries?

A. The Trade Act is being interpreted to preclude enrollment of tax-credit beneficiaries into plans that serve Medicaid and SCHIP households. However, the same insurer that covers a state’s Medicaid or SCHIP beneficiaries can also cover tax-credit beneficiaries through a different plan. Such a tax-credit plan could include the same benefits, cost-sharing rules, and providers as a Medicaid or SCHIP plan.

Q. Can a state provide incentives, through its Medicaid, SCHIP, or public employee health program, for health plans to participate in state-based systems for tax-credit

beneficiaries?

A. Nothing in the statute forbids such actions. For example, a state could award Medicaid default enrollment shares to capitated plans in part based on the parent insurer’s service to tax-credit beneficiaries through other plans. Similarly, state requests for proposals for Medicaid or public employee coverage could include preferences or requirements for insurers that offer health plans to tax-credit beneficiaries.

Q. In such cases, must health plans provide tax-credit recipients with the same benefits the plans offer to Medicaid, SCHIP, or public employee enrollees?

A. They would not need to under federal law. However, plans would need to ensure that qualified tax-credit beneficiaries (i.e., those with at least three months of employer-sponsored coverage immediately before seeking to enroll in state-based coverage) receive the same coverage as other enrollees in the plan that serves tax-credit beneficiaries.

Health insurance assistance grants

The Trade Act adds two funding streams to the existing National Emergency Grant (NEG) program. Administered by DOE’s Employment and Training Administration (ETA), NEG dollars help states, localities, and industries harmed by economic dislocations. As a result of the trade bill, the NEG program now includes \$100 million over three years for interim health insurance coverage and other assistance and \$280 million over six years for health coverage assistance. Some of this money has been authorized and not appropriated, as explained later. For information about how to apply for these grants, see the federal government Web sites listed at the end of this brief.

Interim grants

Q. How much interim grant funding is available?
A. The following table shows total annual grant levels:

Table 1: Interim NEG Grants

Federal Fiscal Year	Funding for interim grants
2002	\$50 million appropriated.
2003	\$100 million authorized. The final appropriations bill includes no funding.
2004	\$50 million authorized; no appropriations decision yet.

These grants may pay health insurance premiums or help enroll eligible individuals in such coverage. They may also finance other assistance and support, including transportation, child care, dependent care, and income assistance.

If used to purchase health coverage, however, grant dollars must supplement, not supplant, other state and

local funding for health coverage. Similarly, if used to provide income assistance, payments must supplement, not supplant, otherwise available UI and TRAs. These funds cannot be used as state match to draw down other federal resources.

Q. How do these interim grants fit into the broader scheme of health coverage for displaced workers?

A. DOL has noted that they are intended, at least in part, to fund health coverage for eligible individuals before advance payment begins in August 2003.

Q. Can these grant funds be used as follows:

- ◆ to pay health premiums when due, on the condition that beneficiaries assign to the state the tax credits they later receive for such premium payments at year's end;
- ◆ after advance payments become available, to supplement them and provide a higher total subsidy for tax-credit beneficiaries with low household incomes; or
- ◆ to experiment with different levels of subsidy to determine the impact of subsidy levels on displaced workers' willingness to take up tax credits?

A. No bar to such state options appears in the statute. However, DOL has indicated that, "In order to promote consistency with, and a transition to, the advance payment tax credit and to conserve NEG resources in a manner that will allow broad participation by the states and eligible individuals, these NEG funds may be used to pay no more than 65 percent of the amount paid by an eligible individual for qualified health insurance coverage of the eligible individual and qualifying family members."

Q. What entities will receive these grants?

A. State agencies.

Q. May these grants be used to fund outreach or infrastructure development?

A. Apparently not. Health coverage assistance grants, which are discussed in the following section, are intended for these purposes.

Q. During what period can ETA make grants using this funding stream?

A. Through the end of federal fiscal year (FFY) 2004 (i.e., September 30, 2004).

Health coverage assistance grants

Q. How large is this second set of NEG grants?

A. Table 2 shows total annual funding levels.

As with interim grants, health coverage assistance grants can provide eligible individuals with assistance enrolling in health coverage. They also may fund start-up and other administrative costs, including:

- ◆ Eligibility verification;
- ◆ Notification of eligible individuals;
- ◆ Processing credit eligibility certificates for advance payment;
- ◆ Data management systems; and
- ◆ Any other administrative expenses determined appropriate, including to establish and operate state-based health coverage systems.

Table 2: Infrastructure NEG Grants

Federal Fiscal Year	Funding for health coverage assistance grants
2002	\$10 million appropriated.
2003–2007	\$60 million authorized for each year. \$30 million appropriated for 2003. No appropriations decision yet for 2004 and later years.

Q. May these grants fund activities that simultaneously benefit tax-credit eligibles and other uninsured? For example, may they fund outreach and enrollment activities or health plan infrastructure development that serves both tax-credit beneficiaries and others?

A. DOL has not provided any guidance on this topic.

Q. Are infrastructure development grants currently available?

A. Yes. To help states establish systems and infrastructure to meet their administrative responsibilities under the Trade Act, DOL has stated that it will provide a state with a grant between \$50,000 and \$200,000. Once systems and procedures are in place and a state is receiving and processing requests for health coverage, the state may seek a grant increase to cover ongoing operational costs.

Q. What are some of the potential uses for the grant monies that DOL has not yet addressed?

A. It is not clear whether the grants can be used or will be approved for the following, although no statutory bar is immediately obvious:

- ◆ Outreach to inform unemployed workers that they may be able to qualify for health insurance subsidies by petitioning DOL for a certification of trade-related adverse impact;
- ◆ Surveying potential health insurance tax-credit beneficiaries to help set policy concerning their coverage;
- ◆ Negotiating and contracting with health plans that the state will offer to tax-credit beneficiaries;
- ◆ Developing and field-testing multi-lingual, easily readable outreach materials describing opportunities

for displaced workers to obtain health coverage;

- ◆ Contracting with private firms for outreach to potential enrollees;
- ◆ Notice and appeal procedures when eligibility for health insurance assistance is denied or terminated;
- ◆ Integrating health insurance tax-credit application procedures with application procedures for other state health coverage programs;
- ◆ Contracting with consultants to help develop effective state policies to take full advantage of health insurance tax credits and related Trade Act provisions;
- ◆ Providing reinsurance or stop-loss protection, to encourage health plans to participate in state-based coverage; or
- ◆ Working with agencies from multiple states to make joint, regional arrangements for health plans to serve tax-credit beneficiaries.

Q. What if a state's initial proposed infrastructure development is expected to cost more than \$200,000?

A. The statute imposes no cap on grant amounts. Although DOL has not indicated whether it will make exceptions to its \$200,000 limit, it has made clear that additional funds for ongoing operating expenses are available.

Q. Can these grants pay health insurance premiums?

A. Apparently not. Interim grants and tax credits are available for that purpose.

Q. How long can ETA make grants using these funds?

A. There is no end date to these grants.

Common features of both NEG grants

Q. Are state matching funds required?

A. No.

Q. Who may these grants help?

A. They may help anyone qualifying for health insurance tax credits.

Q. Does the Trade Act actually appropriate these grant funds?

A. Only for FFY 2002. For later years, the Trade Act authorizes funding, but appropriations will be needed for FFY 2003 and future years.

Q. Once ETA has made a grant to a state agency, how long does that agency have to spend the grant?

A. It depends on the terms and conditions of the grant. As a general rule, however, NEG grant terms permit spending throughout the two ETA "program years" (July 1 through June 30) following receipt of the grant.

Q. Does the Trade Act give DOL any direction in processing grant applications?

A. Yes. DOL must decide state applications within 15 days of receiving a complete application. If an application is denied, DOL must furnish technical assistance to facilitate development of an acceptable application. Once an application is approved, DOL must expedite the provision of funds.

Table 3: Trade Act Grant Programs for States

Grant program	Purpose of grant	2002	Amount per FFY 2003	Later	Period of use	Beneficiaries	Lead federal agency	Grant size per state
High-risk pools								
<i>Start-up grants</i>	Establish qualified high-risk pools		\$20 million appropriated		Through end of federal fiscal year (FFY) 04	No limitation	CMS (within HHS)	\$1 million cap
<i>Operating funds</i>	Pay up to 50% of high-risk pool losses		\$40 million appropriated	\$40 million appropriated for FFY 04	Each year's funds available through end of following FFY.	No limitation	CMS (within HHS)	HHS formula not yet developed
NEG funds								
<i>Interim grants</i>	Pay health insurance premiums, provide other assistance	\$50 million appropriated	\$100 million authorized; no money appropriated	\$50 million authorized for FFY 04; no appropriations decision yet	Federal grants can be made through end of FFY 04. States may spend grants during period specified in grant conditions, which typically is two ETA program years (7/1–6/30) after grant receipt.	Individuals eligible for health insurance tax credits	ETA (within DOL)	Currently, no specific limits
<i>Health Assistance</i>	Start-up and administrative costs	\$10 million appropriated	\$60 million authorized; \$30 million appropriated	\$60 million authorized per year, through FFY 07; no appropriations decisions yet	Federal grants may be made at any time. State spending as with interim grants.	Individuals eligible for health insurance tax credits	ETA (within DOL)	\$50,000 to \$200,000 for start-up.* No limit yet on later costs.

*Limitations imposed by ETA instruction, not TAA statute.

Q. Has DOL added anything to these statutory directions?

A. Yes. DOL has said that, at least for the interim grant program, initial awards within the 15 days may be partial. Approximately 90 days after such awards, DOL officials will conduct site reviews to assess implementation status and determine the full amount of grant funding provided. In addition, grant application decisions will be expedited where the state agency seeking the grant is the current recipient under the NEG Master Agreement between DOL and the state. Such expedited processing will apply even if other entities, including other state agencies, participate in or administer grant activities, such as through subgrants or interagency transfers.

Q. Has DOL provided other guidance about what it expects from grant applicants under this program?

A. Yes. DOL strongly encourages coordination among relevant state agencies, including workforce agencies that are signatories to current NEG Master Agreements, health insurance commissions, state health licensing and regulatory entities, and other state agencies involved in providing health insurance coverage. In addition, both beneficiary eligibility and reasonableness of proposed costs will be important factors in assessing state grant applications.

Grants for state high-risk pools

The trade bill authorized and appropriated funding for two new federal grants for state high-risk pools: \$20 million in start-up grants for states without qualifying pools, and \$80 million in matching funds to defray losses of operating, qualified pools. High-risk pools are intended to help the nongroup market function more effectively by providing health coverage for individuals whose medical history, age, or other characteristics make it difficult for them to find affordable nongroup insurance that covers the health care they need. Covered individuals' premium payments are not expected to cover the full costs of such insurance, so subsidies are needed.

Unlike NEG funds, these grants for high-risk pools may help any pool beneficiaries, without limitations based on trade or the PBGC. These grants are administered by the Centers for Medicare and Medicaid Services (CMS).

Start-up grants

Q. How large is each state's start-up grant?

A. Up to \$1 million.

Q. Which states are eligible for start-up grants?

A. Those that did not have a qualified high-risk pool in operation on August 6, 2002—the date the Trade Act was signed into law.

Q. What is the definition of a qualified high-risk pool?

A. For start-up grants, the same definition applies as for health insurance tax credits (a pool that accepts HIPAA eligibles, without preexisting condition limits, and provides premium rates and covered benefits consistent with the relevant NAIC Model Health Plan).

Q. What about states operating high-risk pools on August 6, 2002, that did not fit this standard or that do not qualify for new federal matching grants for the operation of high-risk pools?

A. According to CMS, such a state can obtain a start-up grant to convert its existing pool into a qualified high-risk pool that meets all requirements for such federal matching grants. (Alternatively, the state could use a start-up grant to establish a separate pool that meets such requirements.)

Q. When are these funds available?

A. \$20 million in start-up grants are available for federal obligation now through the end of FFY 2004 (i.e., September 30, 2004).

Q. What criteria will CMS use to evaluate applications for these grants, in addition to states' compliance with minimum, statutory requirements?

A. CMS has identified two additional criteria:

1. **Administrative Mechanism:** The state's proposed high-risk pool has a mechanism that can reasonably be expected to assure that it will have the administrative and legal capacity to provide health coverage to all qualified applicants.
2. **Funding:** The state has described funding sources that can reasonably be expected to ensure that the pool will be able to keep funding losses and stay in operation after the grant funds have been expended.

Q. Are state matching funds required for these start-up grants?

A. No.

Matching funds for operational high-risk pools

Q. What is the purpose of this second grant stream for high-risk pools?

A. These grants pay up to 50 percent of the losses of operational high-risk pools.

Q. Over what time period are these new federal grant funds available?

A. The bill provides \$40 million that can be obligated at the federal level in FFY 2003 (the current fiscal year) and FFY 2004. It contains another \$40 million that can be obligated in FFY 2004 and FFY 2005.

Q. Are these funds expected to pay half of all operating losses for high-risk pools?

A. Not by a long shot. Forty million dollars in annual matching funds would cover about 10 percent of the roughly \$400 million in total operating losses such pools sustained in 2002.

Q. How are these grants allocated among the states?

A. The bill directs HHS to create a funding formula that divides these grants among qualifying states in proportion to the number of their uninsured residents. The precise formula has not been set yet.

Q. What kind of a high-risk pool must a state operate to receive these matching funds? If a pool qualifies for health insurance tax credits, will it automatically be eligible for matching grants?

A. Not quite. To receive matching funds, a pool must meet the definition of “qualified high-risk pool” contained in the tax-credit portion of the Trade Act (that is, covering HIPAA eligibles without preexisting condition limits and complying with NAIC model legislation). But such a pool must also satisfy the following new requirements:

- ◆ Two or more coverage options;
- ◆ A state mechanism to continue funding pool losses after FFY 2004; and
- ◆ Premiums not above 150 percent of standard rates.

Q. What is the “standard rate” against which these premiums are measured?

A. HHS has not issued any formal interpretation of this language. Presumably, the standard rates vary, at a minimum, with age and gender. For example, this requirement is most likely satisfied if a 60-year-old woman with a history of breast cancer and diabetes is charged 150 percent of the standard premium for 60-year-old women without any known health problems. 🏠

About the Author

Stan Dorn is a senior policy analyst at the Economic and Social Research Institute, where he focuses on strategies to cover the uninsured. Previously, he served as Health Division director at the Children's Defense Fund and as a managing attorney and project director at the National Health Law Program. He can be reached via e-mail at sdorn@esresearch.org.

Acronyms

ATAA – Alternative Trade Adjustment Assistance, a new program beginning in August 2003 that partially compensates certain workers aged 50 and older for income losses attributable to changed employment that resulted from foreign competition.

COBRA – the Consolidated Omnibus Budget Reconciliation Act, the federal law obliging employers with 20 or more workers to permit former employees, under certain circumstances, to purchase employer-sponsored health insurance.

DOL – The U.S. Department of Labor.

EITC – the Earned Income Tax Credit, which is available to certain low-income workers.

ETA – the Employment and Training Administration of the Department of Labor, which administers the National Emergency Grant Program, Unemployment Insurance, and other programs.

FEHBP – the Federal Employees Health Benefits Program, which provides health coverage to federal workers, retirees, and certain others.

FFY – the Federal Fiscal Year, which begins on September 1 of the prior calendar year.

HIPAA – the Health Insurance Portability and Accountability Act, federal legislation that ensures portability of coverage for people transitioning from the group market to the individual insurance market.

NAIC – the National Association of Insurance Commissioners, an association of state-level officials that, among other responsibilities, promulgates model state statutes covering various insurance issues.

NEG – National Emergency Grants, a Department of Labor program of assistance to states and localities experiencing significant economic hardship.

PBGC – the Pension Benefit Guarantee Corporation, which makes full or partial pension payments on behalf of certain companies no longer able to make such payments to their retirees.

TAA – Trade Adjustment Assistance, a program administered by the Department of Labor to help certain workers displaced from their employment by foreign competition.

TRA – Trade Readjustment Allowance, which is a weekly payment provided as a part of Trade Adjustment Assistance to certain workers displaced by international competition who have exhausted their unemployment insurance payments.

UI – unemployment insurance, a weekly payment available to certain workers who lost their jobs involuntarily and are currently looking for work.

Useful Web sites

A useful source of information about Trade Act health coverage is www.doleta.gov/tradeact/2002act_index.asp. This site contains documents from DOL and IRS. Both the site as a whole and certain individual files (such as a Power Point presentation describing Trade Act provisions, intended for training labor agency staff) are updated periodically. For information about grants for high-risk pools, visit: www.cms.hhs.gov/riskpool/.



1801 K Street, NW, Suite 701-L
Washington, DC 20006

Non-Profit Org.
U.S. Postage

PAID

Washington D.C.
Permit No. 3999