



## **WHAT IS HIPUTAH**

In 1991, the state established the Utah Comprehensive Health Insurance Pool (HIPUtah), 31A-29-101 et. seq., to specifically address the problem of people with serious medical conditions, such as cancer, diabetes, heart disease, and other chronic illnesses that made them medically uninsurable and, as a result, unable to obtain health insurance at any price. This program is managed by a volunteer Board of Directors (“Board”) and administered privately by SelectHealth, pursuant to a competitively bid contract. HIPUtah also serves as the state’s Health Insurance Portability and Accountability Act (HIPAA) alternative, which is required by Federal Legislation.

HIPUtah is managed by a Board of Directors under Legislative and Insurance Department authority. The Board is voluntary, appointed by the Governor and serves without compensation. The Board has rule-making authority to set premium rates and define underwriting and program management guidelines. The Board members and key staff are identified in Addendum I; an Organizational Chart is attached as Addendum II and outlines HIPUtah’s interaction with State Government.

Additionally, the Board chooses administrative support for the program. This includes a contracted executive director, a consulting actuary, and an underwriting auditor. The State of Utah provides accounting, legal, audit and program evaluation support. As of July 1, 2005 SelectHealth has provided administrative services for HIPUtah.

HIPUtah currently provides insurance coverage to approximately 3,500 Utah residents that without this coverage may be exposed to catastrophic medical expenses.

## **BACKGROUND - THREE ROLES OF HIPUTAH**

### **I. HIPUtah makes it possible for individual Utahns with an uninsurable medical condition to purchase insurance.**

HIPUtah is a state-subsidized high risk insurance pool. The idea behind the Pool is to run it like any other insurance company, with two exceptions:

- Only uninsurable individuals and HIPAA eligible individuals are accepted into the Pool; and
- The state subsidizes costs not covered by premiums.

Health underwriting criteria, set by the Utah Insurance Department at twice the expected claims cost of an average person, were developed to determine eligibility for the Pool.

Premiums for the Pool are based on two principles: (1) premiums should exceed what would be available in the private health insurance market (private market) to help cover the unusually high costs of these uninsurable individuals; and (2) premiums are imposed on a per person basis. While it is true that high premiums make it difficult for many Utahns to participate, HIPUtah makes the possibility of coverage a reality for those with uninsurable conditions who were denied it in the past.



**II. HIPUtah is used to satisfy a federal requirement that arises from the Health Insurance Portability and Accountability Act of 1996 (“HIPAA Portability”).**

HIPAA portability requires states to guarantee that a person can obtain an individual policy if that person is no longer eligible to be covered under an employer group policy, regardless of health condition. Utah complies with this requirement in two ways: (1) HIPUtah accepts all HIPAA eligibles regardless of health condition; and (2) state law guarantees an individual policy available through the private market if the person is healthy in accordance with SB 60 as demonstrated below.

HIPUtah is a required component of the State of Utah’s alternative mechanism for HIPAA portability which assures individuals the opportunity to obtain health insurance. This protects the individual market in Utah from the extra costs associated with uninsurables entering the individual market from group coverage.

**III. HIPUtah is an important link in the overall well-being of the individual and small group insurance markets.**

In 1997, the Legislature passed SB 60. This bill guaranteed that any individual could purchase health insurance, regardless of health condition. SB 60 did this by dividing the individual insurance market into two groups: (1) those who qualified for HIPUtah because they were uninsurable; and (2) those that were healthy enough to be absorbed into the private market. SB 60 then required the private market to cover any person who was healthy enough to be in the private market.

SB 60 represents a monumental commitment on the part of the state and the private insurance market to guarantee that every Utahn is able to get health insurance through either the private market or HIPUtah.

Ultimately, the commitment of the private health insurance market to SB 60 turns on the willingness of the state to fund HIPUtah at an appropriate level because funding determines the line between those eligible for HIPUtah and those with automatic coverage in the private market.

Without such a commitment, the private market would have had to absorb a disproportionate number of uninsurables - the result of which would have likely increased premiums and possibly even destabilized the individual market as a whole.

**WHO NEEDS HIPUTAH?**

Since becoming operational in 1991, HIPUtah has served as an important insurance option for those Utahns, currently close to 3,500 individuals, who have been turned down by the private insurance market for individual coverage due to an uninsurable health condition. HIPUtah also helps insurers’ stability in the private insurance market. There are many different circumstances that cause Utahans to turn to HIPUtah. Such circumstances include:

- Self-employed individuals who want insurance but are rejected due to an uninsurable health condition;



- HIPAA-eligible individuals (generally, persons leaving employer group coverage);
- Individuals reaching lifetime maximums in their insurance policies;
- Individuals reaching lifetime maximums in their employer’s self-insured plans;
- Individuals working for an employer who does not offer health insurance benefits;
- Individuals waiting for employer coverage while fulfilling a probationary employment period;
- Changes in self-insured employer or union plans (coverage for retirees under 65 years of age);
- Former employees of bankrupt companies;
- Some recipients of Ryan White Funding (also known as AIDS Drug Assistance Programs);
- and
- Spouses and dependents of employees whose employer does not offer dependent health care coverage.

**BENEFIT PLAN OPTIONS**

HIPUtah offers three standard HMO-type products and a High Deductible Health Plan (HDHP). Premiums for HIPUtah coverage are calculated based on age and deductible options.

**HMO**

Deductible options:

\$500, \$1,000 and \$2,500

**HDHP**

Deductible option:

\$5,000 (HSA compatible)

The HIPUtah Provider Network includes the SelectHealth Care Network as well as the University of Utah providers, facilities, and pharmacies.

**LOW INCOME PREMIUM WAIVER PROGRAM**

Due to receiving federal grant, HIPUtah offers a Low Income Premium Waiver Program for HIPUtah Enrollees with moderate or low household income. Enrollees may qualify for one to six months of premiums waived within a year. This program will be available until March 31, 2009 or until the entire grant funding has been depleted, whichever comes first.

**CONTACTS**

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