

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
Center for Consumer Information and Insurance Oversight  
200 Independence Avenue SW  
Washington, DC 20201



## **INSURANCE PROGRAMS GROUP**

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**Date:** February 15, 2013

**To:** Pre-Existing Condition Insurance Plan Contractors

**From:** Richard Popper, Director, Insurance Programs Group

**Subject:** Announcement of PCIP Program Enrollment Suspension and Benefit Adjustment Analysis

For more than two years, CMS has partnered with you, our state-based Pre-Existing Condition Insurance Plan (PCIP) contractors, to provide health insurance coverage to thousands of people nationwide. We thank you for your continued dedication to the PCIP program, which has now served more than 135,000 individuals since its inception.

**Enrollment Suspension.** From the beginning, CMS has been committed to monitoring PCIP enrollment and spending closely and making necessary adjustments in the program to ensure responsible management of the \$5 billion provided by Congress. To this end, we are implementing a nationwide suspension of enrollment until further notice and therefore direct you, as our contractor, to take immediate steps to implement this suspension consistent with sections B.4.8.6 and C.5 of your PCIP contract.

You are required to take this action within 15 days of this notice to do so. Therefore, you may not process for PCIP enrollment any application you receive after March 2, 2013. Under the terms of your contract, you may choose to stop processing applications received after the date of this notice, but before March 2, 2013, at your discretion. On the date you choose to stop accepting applications for processing, you must also remove or disable any enrollment application posted to your PCIP website to the extent that you make one available. Please note that the Federal PCIP will be implementing this enrollment suspension immediately, such that all applications must be received by February 15 to be eligible for enrollment.

Enrollee portability is the sole exception to the enrollment suspension. In this program, we require a PCIP to provide a six-month period during which any individual, who was formerly enrolled in a PCIP and is newly applying to another PCIP due to a change in residence, can obtain coverage. The individual, under this exception, is deemed to have met the requirement of going six months without creditable coverage. Under this enrollment suspension, a PCIP must have procedures in place to accept and process applications from individuals who fall under this portability exception. We believe that this exception will protect individuals who would

otherwise lose PCIP coverage solely because they no longer reside in a particular PCIP's service area, as well as give them sufficient time to learn about and sign up for PCIP coverage in their new area.

We appreciate your assistance in implementing this change, and together responsibly managing the funds we have available to continue serving people with pre-existing conditions who are currently enrolled in this program.

**Benefit Adjustment Analysis.** In an effort to continue to control program costs, while maintaining the value of PCIP coverage, CMS made adjustments to the Federal PCIP coverage in January 2013. These changes included the consolidation of three plan benefit options into one plan with a \$2,000 deductible for in-network medical services and \$500 deductible for formulary prescription drugs. We also reduced in 2013 the amount that the plan pays after the enrollee reaches the deductible; the Federal PCIP provides coverage at 70% (instead of 80%) of allowed charges with a 30% coinsurance (instead of 20%). Finally, the maximum out-of-pocket limit was increased in 2013 from \$4,000 to \$6,250 for in-network services and from \$7,000 to \$10,000 for out-of-network services.

CMS recognizes that several state-based PCIP programs currently offer coverage that may be more generous than the coverage now offered in the Federal PCIP. State-based PCIPs may pay higher percentages of allowed charges, have lower deductibles, and lower maximum out-of-pocket limits than the Federal PCIP. While CMS has allowed those variations in the past, CMS is evaluating the level of cost savings to be realized if state-based PCIPs were to adjust their benefit packages to match the benefits now offered in the Federal PCIP.

To that end, we request that you determine the feasibility of changing your currently offered PCIP benefits to be consistent with the Federal PCIP benefits (70%/30% coverage, \$2,000 deductible, \$6,250 MOOP for in-network/\$10,000 MOOP for out-of-network) with dates of service beginning either April 1, 2013 or the earliest possible date thereafter. Please assume that all claims with dates of service prior to the effective date of the benefit adjustment would be paid per the coverage provided in your existing plan or plans. Please also assume that any deductible amounts and maximum out-of-pocket amounts incurred by enrollees prior to the change in benefits would be applied to the new limits after the benefit adjustment is made.

In closing, we understand that our announcement today is likely to impact your cost projections for the remainder of the program. As a result, we will notify you in the coming weeks regarding the submission, timing, and format of your cost proposal for the upcoming quarter. We look forward to discussing with you the implementation and cost implications of this requested benefit change. We expect that this additional extension will give you time to consider and analyze these changes more fully.

Thank you in advance for your cooperation and please contact your PCIP account manager or me with any questions you have about this guidance.