



STATE OF INDIANA
OFFICE OF THE GOVERNOR
State House, Second Floor
Indianapolis, Indiana 46204

Mitchell E. Daniels, Jr.
Governor

April 30, 2010

The Honorable Kathleen Sebelius
Secretary, Department of Health and Human Services
Hubert H. Humphrey Building
200 Independence Avenue, S.W.
Washington, D.C. 20201

Dear Secretary Sebelius:

Thank you for your recent letter presenting Indiana's options for the new temporary high risk pool program being developed in connection with the Patient Protection and Affordable Care Act.

Years before the passage of national health care legislation, Indiana committed itself to increasing the availability of affordable healthcare and promoting wellness through our Healthy Indiana Plan for low-income uninsured citizens and the INShape Indiana fitness program. In addition, our state currently operates its own high risk pool, the Indiana Comprehensive Health Insurance Association, which provides coverage to approximately 7,000 individuals who would otherwise be uninsured.

However, the implementation of the new federal risk pools presents us with insuperable concerns. First and foremost, it is impossible to assess either the total cost of the program or what Indiana's total share of that cost would be. Our uncertainty was confirmed by your recent testimony before Congress, when you were unable to provide any estimate for the cost of the risk pools. What does seem certain, according to both our actuary and yours, is that the allocated federal funding for this project will be exhausted well before 2014, apparently leaving states responsible for the excess costs.

Second, you have not provided us with the extent of the mandates or requirements for a state choosing to run the new program. The Department says that participating states are required to submit a plan and enter into a contract with the Department in May, but there will be no regulations prescribing mandated benefits or eligibility requirements until June at the earliest. And, as this is a contract rather than a grant program, we have every reason to anticipate that if states such as ours do not run the high risk program commensurate with yet-to-be-determined federal standards, we will be subject to lawsuits or other penalties. No responsible state, nor any public or private entity for that matter, would make such an agreement without knowing the terms, costs or other exposures its taxpayers were taking on.

The Honorable Kathleen Sebelius

Page Two

April 30, 2010

We carefully analyzed the options presented to us, but in the end this was not a close call for Indiana: the risks Indiana is being asked to take are well beyond any range of acceptability. Given the options the federal government has presented, we have elected to allow the U.S. Department of Health and Human Services to establish a coverage program for Indiana instead of expanding our existing high risk program and exposing Indiana taxpayers to an open-ended and potentially enormous new burden.

Please let us know how best to communicate to Hoosiers the procedure to enroll in the federal high risk pool that you say will be accepting enrollees in July. We will want to make sure interested high-risk citizens have a chance to obtain whatever coverage you decide to make available across the country.

Sincerely,

M E Daniel, Jr.