

**CHIP: Frequently Asked Questions
about coverage through the
Arkansas Comprehensive Health Insurance Pool**

This document is not a contract or a policy. The information provided in the following question and answer format is for assistance in meeting the needs of your clients. Most applicants for CHIP are “uninsurable”—in other words, they have not been able to obtain insurance in the individual health insurance market because of medical reasons. Under certain conditions, CHIP also offers covers persons who have lost group coverage from their employer. CHIP hopes the responses below provide answers to questions you have about our program. For more information regarding a particular situation, please refer to the Arkansas CHIP policy forms. If you have additional questions, please call the CHIP Administrator, BlueAdvantage Administrators, at 1-800-285-6477.

Q1. If CHIP is supposed to be a guaranteed issue program, why does a person have to qualify?

Answer: CHIP does not guarantee coverage to every person who applies. An applicant must first meet eligibility criteria, as set forth in the CHIP policy and Arkansas statutes governing CHIP. There is more about eligibility criteria in the answer to question 2.

Q2. What categories of persons may be eligible for CHIP coverage?

Answer:

“Federally Eligible Individual.” This coverage is available to uninsured Arkansas residents who have had 18 months of previous health insurance coverage (creditable coverage) without a break in coverage of 63 days or more. The client’s most recent coverage must have been group coverage offered through an employer and must have terminated within 63 days before he or she applies for coverage. The client cannot currently be eligible for group coverage through an employer (including COBRA), Medicare or Medicaid. Your client will not be eligible for CHIP if the client’s most recent coverage was terminated for non-payment of premium or for fraud.

If your client is enrolled in CHIP as a Federally Eligible Individual, he or she *will not* be subject to a pre-existing condition exclusion.

“Resident Eligible Person.” Most applicants qualify as a “Resident Eligible Person” by providing evidence of uninsurability in the *individual* health insurance market, which can either be:

- a letter rejecting the client for coverage because of a medical condition; or
- an offer of individual coverage at a rate at least 50% higher than rate for a CHIP policy with the same (or most similar) deductible. *See also answers to Q4, Q5.*

Such applicants must be a U.S. citizen or permanent resident alien and have resided in Arkansas for at least 90 days.

New residents of Arkansas whose most recent coverage was from another state’s risk pool also may qualify as Resident Eligible Persons. Such persons must have been a resident of Arkansas for 30 days and apply for coverage within 63 days after coverage ended in the other risk pool.

If your client meets the criteria above, he or she may qualify as a Resident Eligible Person. Please see the policy form for additional eligibility requirements, or call the CHIP Administrator at the phone number listed above.

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Resident Eligible Persons are subject to a six-month pre-existing condition exclusion unless they are eligible for and purchase a waiver. A pre-existing condition waiver may be purchased by anyone whose individual health insurance coverage was terminated involuntarily within 30 days before the date of application for CHIP coverage, provided that the person already has satisfied a pre-existing condition exclusion similar to CHIP's in the terminating policy. The cost of the waiver is a 10% premium surcharge.

"HCTC Eligible Person." HCTC stands for the "Health Coverage Tax Credit," which is available to certain residents of Arkansas whom the government has certified to have lost their job because of global trade (for example, a company moves its manufacturing plant overseas). There are an estimated 3,000 such persons in Arkansas. If your client is potentially eligible under this category, he or she will receive a letter from the federal government explaining the program. This letter must be submitted with the application.

If a HCTC Eligible Person lost his or her coverage less than 63 days ago, and had creditable coverage for at least three months without a break in coverage of 63 days or more, the HCTC Eligible Person will not be subject to pre-existing condition exclusions. Other HCTC Eligible Persons will be subject to the six-month pre-existing condition exclusion, unless they are eligible for and purchase a waiver. Family members of HCTC Eligible Persons may be eligible for individual coverage under CHIP as well. See *also answer to Q8*.

Q3. Can a client terminate his/her group health coverage if the rates are too high and be eligible for CHIP?

Answer: No. If client is eligible for, or enrolled in, group health coverage, then he or she is not eligible for CHIP.

Q4. Can a client terminate his/her individual health coverage if the rates are too high and be eligible for CHIP?

Answer: Your client may be eligible for CHIP if his or her current premium for individual health insurance coverage is at least 50% higher than the CHIP policy with the same (or most similar) deductible. See *also answer to Q5*. Your client does not need to cancel his or her current coverage until CHIP coverage becomes effective, and may keep the other coverage until the end of CHIP's six-month pre-existing condition exclusion period. When submitting an application, your client should include:

- a. a copy of his or her premium invoice showing rates 50% higher than CHIP rates for same deductible,
- b. the schedule of benefits from his or her current policy to document the deductible amount, and
- c. proof of ninety (90) day residency in Arkansas.

Q5. I have a client with a conversion policy with a \$1,000 deductible, and the rates are 50% higher than CHIP's \$5,000 deductible plan. Will my client qualify for CHIP based on rates?

No, unless the conversion policy is at least 50% higher than the CHIP plan with the \$1,000 deductible. In determining whether rates are 50% higher than CHIP, CHIP compares the rates of the other insurer to its most comparable plan.

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If there is not an exact match on deductibles, CHIP will compare the other insurer's plan with the CHIP plan closest in deductible to the other plan. For example, a plan with a \$2,500 deductible will be compared to CHIP's plan with a \$1,000 deductible, rather than a \$5,000 deductible.

Q6. If my client's group health policy has been terminated involuntarily, can he or she apply for CHIP instead of electing COBRA?

As long as your client is eligible for COBRA, the client *is not* eligible for CHIP, because COBRA is coverage offered through an employer-based group plan (see answer to Q2). If your client does not elect COBRA and the 60-day period for electing COBRA has passed, he or she may be eligible for CHIP coverage under state law as a Federally Eligible Individual.

However, keep in mind that for a person to qualify as a Federally Eligible Individual, *there cannot be a gap in coverage of 63 days or more*. If your client was notified of his or her COBRA benefits before employment terminated, the COBRA election period will expire 60 days after employment ends and your client must submit a complete application within the next three days. If your client was not notified of COBRA benefits until *after* his or her employment ended, your client's 60-day election period will begin on the date of the notice. Thus, when the election period expires, it could be too late for your client to apply for CHIP, if there has been a gap in coverage of 63 days or more.

Q7. I have a client who is currently on COBRA through a former employer. The former employer is changing carriers and states that my client can no longer continue COBRA coverage. Does he/she qualify for CHIP?

Answer: A former employer cannot discontinue COBRA coverage simply because it changes carriers. However, COBRA coverage does terminate if the former employer ceases to offer any group health plan.

If your client loses COBRA because his or her former employer stops offering a group health plan, this would result in an involuntary loss of coverage. Your client will qualify for CHIP coverage as a Federally Eligible Individual if he or she has 18 months of creditable coverage without a 63-day break in coverage and meets other eligibility requirements.

Q8. Is there Family Coverage under the CHIP program?

Answer: No, there is no family coverage. All policies are issued on an individual basis. A newborn child of a Federally Eligible Individual or a Resident Eligible Person may be eligible under the criteria set forth in the answer to Question 10. In addition, a HCTC Eligible Person can purchase individual policies for other members of his or her family, including newborns, under certain circumstances. If your client has a letter indicating that he or she is eligible for the Health Coverage Tax Credit, please inquire further about eligibility for other family members.

Q9. Is a newborn child eligible for CHIP if neither of his/her parents are covered under the CHIP program?

Answer: No, unless the child qualifies as a Resident Eligible Person (*i.e.*, has been rejected by a health insurer for a medical condition or offered coverage at a rate at least 50% higher than a CHIP plan with the same (or most similar) deductible).

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Q10. If the parent of a newborn is an Insured Person in the CHIP program, is the newborn eligible for CHIP?

Answer: Yes, if the child meets eligibility criteria. Under special rules governing newborn children of CHIP enrollees, the newborn of a Federally Eligible Individual or Resident Eligible Person is eligible from the date of birth if:

- the child is an Arkansas resident;
- the child is not eligible for any other health insurance coverage; and
- the Insured Person applies for coverage for the newborn within 31 days from the date of birth and pays all premium due from the date of birth at the time of enrollment.

The newborn of a HCTC Eligible Person is covered if the child meets the criteria that other family members must meet to obtain individual policies and the Insured Person applies for coverage for the newborn within 31 days from the date of birth and pays all premium due from the date of birth at the time of enrollment. If your client has a letter indicating that he or she is eligible for the Health Coverage Tax Credit, please inquire further about eligibility for other family members.

Q11. My client's current individual health insurance policy does not cover maternity benefits. Can she qualify for CHIP based on her current policy having lesser benefits than CHIP?

Answer: No. Merely having coverage from another carrier that is less comprehensive than CHIP is not enough to qualify an applicant for CHIP. To qualify as a Resident Eligible Person, an applicant must provide evidence that the applicant was rejected for substantially similar coverage by an individual carrier, or offered coverage by an individual carrier that is at least 50% higher than a CHIP policy with the same, or most similar, deductible.

Q12. My client has just been turned down for individual health coverage substantially similar to CHIP because she is pregnant. She has no other coverage. Would she be eligible for CHIP?

If she meets the other eligibility criteria for a Resident Eligible Person, she would be eligible for CHIP because she has been rejected for substantially similar individual coverage because of a medical condition. (See answer to Q2). As of July 1, 2006, routine maternity care is a covered benefit under all CHIP benefit plans. However, pregnancy also is a pre-existing condition. Because your client would be pregnant when she applied for coverage, CHIP would not cover routine maternity care benefits until six months after the effective date of her coverage. CHIP would cover any complications relating to the pregnancy, as required by law.

Q13 My client is currently pregnant and her health carrier is exiting the individual health insurance market in the State of Arkansas. She has been declined other health coverage because she is pregnant.

a. Will she qualify for CHIP as a Resident Eligible Person?

Yes, if she meets other eligibility requirements. Her individual health insurance coverage is being "involuntarily terminated."

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- b. If Yes, can she purchase the Pre-Existing Waiver Rider in order to receive coverage immediately for routine maternity care?**

As stated in the answer to question 2, a pre-existing condition waiver may be purchased by anyone whose individual health insurance coverage was terminated involuntarily within 30 days before the date of application for CHIP coverage, provided that the person already has satisfied a pre-existing condition exclusion similar to CHIP's in the terminating policy. The cost of the waiver is a 10% premium surcharge.

The six-month pre-existing exclusion will not apply to a person who is eligible for and purchases the waiver.

- Q14. My client just moved to Arkansas, has no health coverage and has been declined for individual health insurance coverage because of a health condition. How long does he or she have to live here before qualifying for CHIP?**

Answer: The residency requirement is 90 days under these circumstances.

- Q15. I have a client who was rejected due to a DWI on his driving record. Does he qualify for CHIP based on that rejection?**

No. Eligibility for CHIP is based on a rejection by an individual health insurance carrier due to history of or existence of a medical condition. A DWI on a person's driving record is not evidence of a medical condition.

- Q16. What are the payment methods for CHIP?**

A CHIP enrollee can choose to be billed through monthly bank draft or quarterly, on January 1, April 1, July 1 and October 1. There are no List Bills or Monthly Direct payment methods available.

For HCTC Eligible Persons *only*, CHIP will accept payment through the federal government's Health Coverage Tax Credit Processing Center, which pays a portion of an eligible person's premiums costs as an advance on the tax credit. We will be happy to answer additional questions about this program.

- Q17. When can a CHIP enrollee change his/her billing method?**

An enrollee's billing method may be changed only on the first of the months that begin the major quarters of the calendar year--January, April, July or October. The request to change the billing method must be received before the 15th of the previous month.

- Q18. When can a CHIP enrollee increase his/her deductible?**

A CHIP enrollee can **increase** his or her deductible on the first of any month, if the request is received before the 15th of the prior month. For example, if a request to increase the deductible from \$5,000 to \$10,000 is received on 1/25, the change will be effective on 3/1. If request had been received on 1/12 instead, then the increase would have been effective on 2/1.

- Q19. When can a CHIP enrollee decrease his or her deductible?**

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A CHIP enrollee can **decrease** his/her deductible **only** on January 1 of each year. The request to decrease the deductible must be received before 12/15 of the prior year. For example, no decrease in deductible can take place for 2005 if the request is received on 12/17/04.

Q20. Does the CHIP plan have a Prescription Drug Card?

No. Prescription drugs are covered on a reimbursement basis after the enrollee meets the calendar year deductible. The enrollee must file claims for prescription drugs within 6 months after the date the prescription is filled in order to receive reimbursement. Prescription drugs are paid at the in-network level of benefits (usually 80% of the Usual and Customary charge).

Q21. Why do premiums still continue to increase?

Premiums have increased because the cost of providing coverage to CHIP enrollees has increased. Many CHIP members meet the criteria for uninsurability in the individual market because of medical conditions and the cost of providing them coverage can be high. Because of the high level of claims in the CHIP program, the cost of the program is not fully covered by the premiums. The balance of the cost is funded through assessments paid by the individual health insurers writing business in State of Arkansas or other sources. Premiums accounted for about 71% of the cost in the last accounting period.

Q22. Suggestions and helpful information for Agents:

- a. Double-check that all blanks on applications are filled in.
- b. If your client has coverage at the time he or she signs the application (even if coverage is ending), be sure the client marks “**YES**” as to having it.
- c. Submit all needed documents with the application to avoid delays and extra work. We cannot pay the \$25 referral fee on an application until we receive all necessary information and documentation.
- d. If the applicant’s mailing address is different from his or her residence, be sure make note of that on application. Billing will be sent to address on the application.
- e. Make sure the applicant signs and dates the application in ink.
- f. Make sure your name and phone number are legible so we can contact you if necessary.
- g. Make sure you include your SSN so that you will receive your referral fee.
- h. Do not send a payment with the CHIP application. If the applicant is approved, the approval letter is his or her first premium billing.
- i. Additional Introductory Packets, including applications, may be requested by contacting Customer Service at 1-800-285-6477.