It’s Go Time

States have only a few months to get their health insurance exchanges up and running.

BY MARTHA SALAZAR

Sign in or create an account. Enter email address followed by your password. Browse, search, compare, read reviews or get more details. Add to cart. Check out.

Sound familiar? Then you’ve shopped online and may already be a pro at comparing options and prices through the Internet. Most likely you’ve bought a book or an airline ticket, perhaps even a car, online. Coming soon will be the chance to buy health insurance through a website—courtesy of the Patient Protection and Affordable Care Act—where you can compare prices, benefits and coverage. Never shopped online or don’t have Internet access? That’s OK, you’ll be able to call a toll-free line to talk with someone about your options.

These new services are known as health insurance exchanges, and with a tight deadline required by federal law—eight months remain to get them up and running—it’s “go time” for states and the federal government.

The Basics
Like it or not, and plenty don’t, federal law requires the Internet-based health insurance exchanges to be operational in every state, ready to conduct an “open enrollment period” by Oct. 1 for coverage that will be effective Jan. 1, 2014. The Congressional Budget Office estimates that 25 million people will participate in the exchanges by 2022. Along with offering health insurance options, exchanges also need to be able to let people know if they qualify for federal subsidies or programs such as Medicaid or the Children’s Health Insurance Program. Subsidies to purchase coverage are available to individuals with incomes between 138 percent and 400 percent of federal poverty guidelines.

Decisions, Decisions, Decisions
States may operate their own health insurance exchanges, partner with the federal government or let the federal government run them entirely. There are many functions to running an exchange, from building databases to answering consumers’ questions. Whether to take on these tasks requires big decisions from the states, with deadlines guiding the way. The most significant deadline has come and gone. By last Dec. 14, states had to declare their intentions to run a state-based exchange. Eighteen states and the District of Columbia decided they were up for the challenge. Now they are faced with more decisions, including choosing which carriers will participate, how the exchange will work with Medicaid and other public programs, and how it will be funded after federal money dedicated to the exchanges is no longer available in 2016.

States that chose not to create their own exchanges have just

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a few days—until Feb. 15—to decide whether to partner with the federal government to run them. As of Jan. 1, seven states had elected this option and will be responsible for managing the insurance providers and customer service, while the federal government will run the other functions of the exchanges.

The federal government will operate the health insurance exchanges in the remaining 25 states if they choose not to act on the partnership option by Feb. 15.

“The federal timelines were ambitious, but not unreasonable,” says Nebraska Senator Jeremy Nordquist (NP). “From my perspective they were ambitious because the broken health care system needed to be fixed soon. Ultimately, the deadlines weren’t the problem for my state, it was the politics that became an issue.

Nordquist would have preferred “an exchange for Nebraskans by Nebraskans.” But Governor Dave Heineman (R) said that option would cost too much and the state would lack full control when he announced last November that Nebraska would defer to the federal government to run its exchange.

Although the federally run exchange is the default option, states can move toward running their own eventually, but with less federal funding to help set them up.

**Full Speed Ahead**

States creating their own exchanges submitted blueprints for approval by the secretary of the U.S. Department of Health and Human Services by Dec. 14.

Lawmakers in California, Colorado, Connecticut, Hawaii, Maryland, Nevada, Oregon, Vermont, Washington and the District of Columbia decided to establish their own exchanges through enabling legislation that addressed the big issues: the structure, governance and selection of health insurance carriers.

West Virginia passed legislation, but it was not implemented because of financial concerns. The state has since announced plans to partner with the federal government. Governors in Kentucky, New York and Rhode Island established state health exchanges by executive order. Not all governors have the authority to establish an exchange.

That’s not to say support is universal in these states, or that working out the details has come easily. The Colorado law created a legislative committee—with members from both parties and chambers—to oversee some of the governing board’s
actions, including applications for federal grants.

The committee has provided checks and balances to date and “ensures that there is some level of legislative buy-in to the concept and the direction of the exchange,” says Colorado Representative Bob Gardner (R), co-chair of the committee.

Early in the process, Gardner voiced concerns over language in the governing board’s draft application for federal funds that he says would have limited consumers’ options. “This is not the direction that we [Republicans] wanted the state exchange to take. We knew it had to comply with federal regulations, but our vision was that the exchange would remain a free market of many insurers offering many products and would not be limited to a single product or plan.”

Revised language in the grant application won Gardner’s support, but he admits he wishes the state would have had a “different conversation, but it’s not in our cards.” And although he believes the state is positioned as well as it can be as an open marketplace, he knows the recent shift in the Colorado House to Democratic control could change things.

Colorado Senator Irene Aguilar (D), however, thinks the mission of the oversight committee is “unchanged regardless of who is appointed. We want to work to ensure our health exchange provides the best possible service to help Coloradans and businesses gain access to quality, affordable health care.

“Colorado is in a unique position since our exchange was created with bipartisan support and active lobbying by consumers and the business community alike,” she adds.

Different Plans for Different States

Since the federal law passed in March 2010, at least 30 states have considered legislation to create a state exchange, but many of the bills failed. Legislators in those states cite waiting for last summer’s U.S. Supreme Court ruling on the Affordable Care Act (which did not affect the creation of the exchanges) along with the political climate, lack of public support and the failure of guidance from the federal government as the top reasons they chose not to pursue an exchange.

Arkansas was the first to pursue the state-federal partnership option. The state Insurance Department will operate the consumer assistance portion and manage the insurance plans that participate in it. The state will receive federal funds to update its Medicaid eligibility system and integrate it with the exchange. Delaware, Illinois, Iowa, Michigan, North Carolina and West Virginia also are working with the federal government.

Oklahoma created the Joint Committee on the Federal Health Care Law to study the options and make recommendations to the Legislature.

“You can’t make informed decisions without knowing what all of your options are,” says Senator Gary Stanislawski (R), co-chair of the committee. “So we needed to study [the federal] mandates. Hearings were beneficial. The ultimate recommendation was to establish a non-compliant exchange, dealing with small businesses only, giving employers and employees the opportunity to purchase insurance coverage.”

But the bill to do so never made it to the floor. The state eventually deferred to the federal government to run its exchange.

“Since the Supreme Court ruling, the overall consensus is that Oklahoma is not going to establish any exchange, compliant or not,” Stanislawski says. “The citizens of the state disagree with Obamacare so much that we are not going to aid the federal government in implementing any part of the law in the state.”

Who Pays for It?

States have received more than $2 billion in federal funds to plan and establish exchanges since 2010. Forty-nine states received federal planning grants; however, Florida, Louisiana, New Hampshire and Texas returned all or most of theirs. Alaska was the only state that did not apply for the funds. Thirty-four states and the
District of Columbia have moved forward with additional federal grants to establish the exchanges. States can apply for establishment grants through December 2014.

States running their own exchanges face the challenge of paying for their operations after federal funds for planning and building the exchanges expire at the end of 2015. Most states included plans for financial sustainability in their blueprints, but they vary in their willingness to use state funds. Colorado and Hawaii, for example, passed laws prohibiting the use of any state funds to establish or operate the exchanges. And California lawmakers approved loaning the exchange $5 million from the general fund.

Details are still being worked out in many states. Washington’s exchange board, for example, proposed assessing a service charge on the health plans or enrollees or both to pay for operational costs, which the board estimates will total more than $51 million in 2015.

The federal government plans to pay for the exchanges it sets up by imposing a 3.5 percent fee on insurers to cover the operational costs of the federally facilitated exchanges.

Moving On

Get ready. It’s going to be a mad rush for states building their own exchanges to hire the staff, fine tune operational details and be ready for business by October. But it may be even more challenging for the federal government, which must set up exchanges in the remaining states.

Regardless, federal officials say they will work with every state that did not choose to establish an exchange to build something that functions well, so that everyone who uses it will have a positive experience and find the health insurance they want.

“We are here to help states that are not yet ready to run their own marketplaces,” says Gary Cohen, director of Health & Human Services’ Center for Consumer Information and Insurance Oversight. “Progress is well underway to ensure that residents of every state will have access to a health insurance marketplace that will provide choices of affordable, quality coverage in 2014.”

To keep up on state action on health exchanges, go to www.ncsl.org/magazine.