TECHPRESIDENT BETA

On Insurance Exchanges, States Have a Choice: Hurry Up, or Lose Out

BY BAILEY MCCANN | Tuesday, December 4 2012

It's rare to find someone excited about the prospect of "health insurance exchanges," the state-run marketplaces called for in the Affordable Care Act. In fact, it's easier to find someone exercised over the concept of federally mandated health care — like, for instance, Oklahoma Gov. Mary Fallin — than eager to discuss the details of what may work out to be, in essence, government-run websites in the vein of Travelocity or Amazon.

While the subject matter may seem dull on its face, the ACA calls on governments to launch large-scale, user-friendly clearinghouses of information about which insurance plans are available to customers. States are being asked to build something that is intuitive, efficient, and works at scale — three things government websites have not historically been known to do. And after a deadline extension in the wake of the November elections, governors have until Dec. 14 to indicate the direction their states will take.

For governors like Fallin, who appeared to gamble on a presidential victory by Republican Mitt Romney that would spell the end of Obamacare and relieve them of the need to move forward with plans for exchanges, the future is more exciting than they perhaps would like. But for other states, governors are advancing plans that have been in place since the exchanges were announced. For good or ill, the election's aftermath and a Supreme Court decision mean states who have already come to terms with the state of affairs are now shaping the future of health care in the United States. The others are not that far along in the stages of grief.

“This choice has been forced on the people of Oklahoma by the Obama Administration in spite of the fact that voters have overwhelmingly expressed their opposition to the federal health care law through their support of State Question 756," Fallin said in a statement Nov. 19, announcing that she had informed U.S. Secretary of Health Kathleen Sebelius that Oklahoma will not pursue the creation of its own health insurance exchange.

In Virginia, Governor Bob McDonnell indicated he still has lingering questions about the requirements and is likely to lead the feds handle the exchange, prompting state lawmakers to maneuver in the press and call for a special session of the legislature to force the creation of an exchange. Lawmakers there successfully passed a bill in 2011 to create the exchange, which was then ignored by the governor in favor of several repeal-and-replace measures like the

Supreme Court challenge, and later, hopes for a Romney victory.

But in Minnesota, work on a state exchange has been underway since the ACA passed in 2010. John Pollard, legislative and communications director for Minnesota Management and Budget, says states coming late to the game have their work cut out for them.

"I couldn’t even ballpark the hours for you, its been such a work-intensive process across agencies," Pollard said. "These are some of the tightest deadlines we’ve faced.”

Minnesota has had top down support from Governor Mark Dayton since the bill was passed. According to a letter sent to Department of Health and Human Services Secretary Kathleen Sebelius, Dayton wants Minnesota to be a national model for exchanges and is working with other states to find the best ways to use them. He expects that the exchange will save Minnesotans $250 million per year. The state sent a blueprint progress report to Sebelius on the original November 16, 2012 deadline, and state lawmakers will take up details such as size and scope of the project when they convene in January.

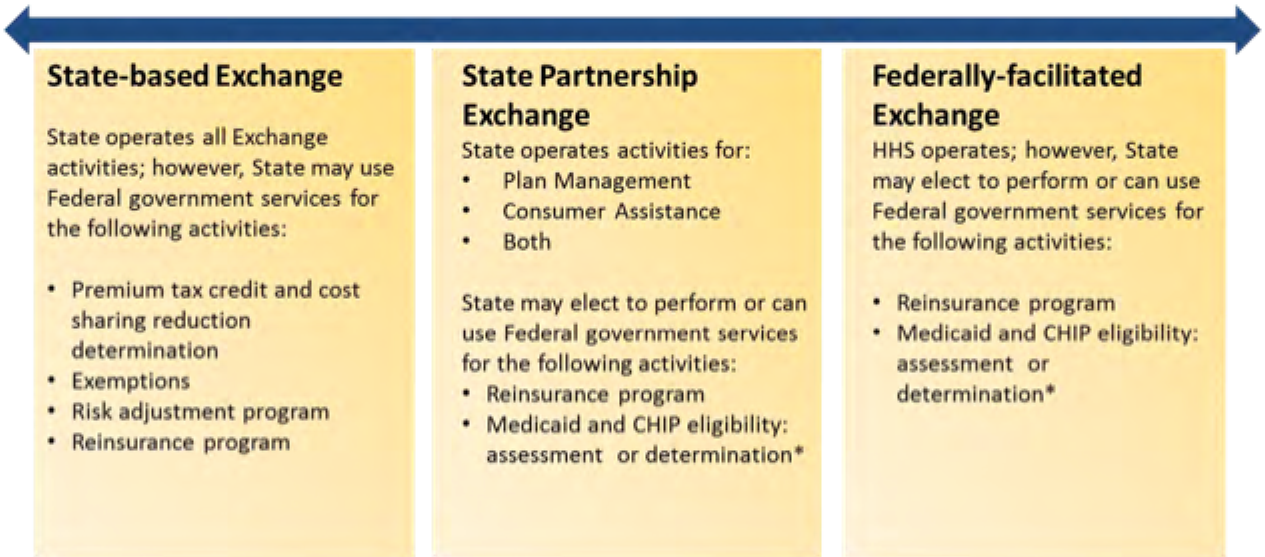
“Obviously it remains to be seen how successful we can make the project," Pollard says.

"The legislature will work in January to determine the final look and feel, although it's likely we will try to offer the same type of functionality as other states,” Pollard says. “The direction and leadership the governor has given to our agencies about how to move forward during this initial phase has been critical.”

In practice, the online portals state residents will use are supposed to operate similar to Travelocity or Amazon, letting users compare insurance products after giving the state some basic information. Residents may also be able to use the online exchange to check their eligibility for Medicare or Medicaid. But beyond that broad outline, and the functional requirements laid out by the law, it still isn't clear — even for states far along in the process — what an exchange will actually *look* like. Vendors like Accenture, Deloitte, and MAXIMUS are all providing the technology to states who opt for a state-run exchange. These exchange solutions will be customized to operate on each state’s current IT systems, and look like existing, public-facing online portals. So far, it sounds like each exchange will look just as bad, or as good, as the rest of a given state's web presence.

The law lays out three different models for who runs an exchange: Fully state-run, fully federally-run, or a partnership that splits up responsibilities between the two. Insurance policies and products offered in each state are expected to differ based on local requirements and which model a state chooses to use. Each state will have a minimum “benchmark” plan that lays out the minimum requirements each policy must have to be listed on the exchange.

Figure 1: Flexible Exchange Options for States



*Coordinate with Medicaid and CHIP Services (CMCS) on decisions and protocols

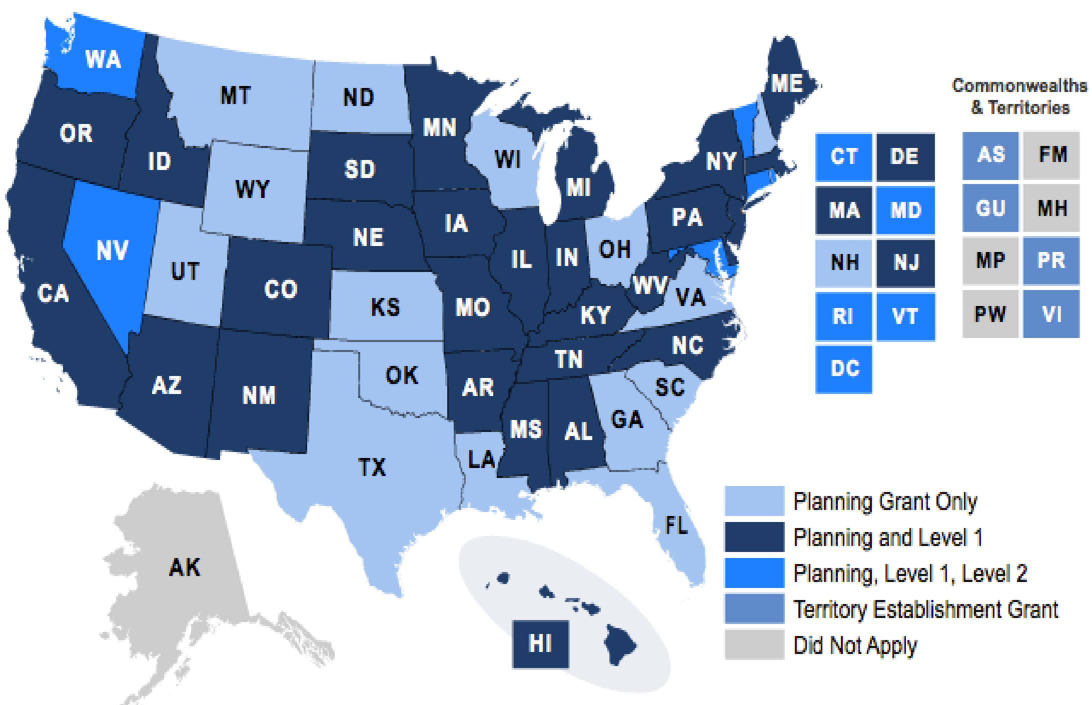
Each exchange also has to be interoperable with state and federal human services systems in addition to providing real-time information to consumers. Prior to this, you'd submit paper forms, and someone in your town would send some phone calls and faxes to state and federal offices. In theory, the exchanges handle this in a series of real-time data transactions that would make it possible to see potential Medicaid and WellPoint plans at the same time, create a case file for you if you opt to join Medicaid. Here's where state-run programs may start to set themselves apart: In Massachusetts, the exchange may also allow you to see if you also qualify for other federal aid programs like SNAP or TANF.

HHS has yet to release all the rules and plans for the federally administered exchanges, but they are less likely to have the same degree of stylistic customization. HHS has indicated guidance on the federally managed exchange should be released before the end of the year.

None of this is easy for a state to do. While vendors make systems look like the rest of a state website on the front end, on the back they are asking state and federal databases that are in many cases 15 to 20 years old to handle transactions with the speed of a 21st-century Amazon.com purchase. That's why all the vendors here are systems integrators — because basically they're making a bunch of DOS-era systems pretend like they're the Internet.

The exchange itself is expected to cost the Minnesota several million dollars to operate. That state has a portion of $71 million in federal funds to help finance the buildout, but state lawmakers will have to decide how to foot the bill for operating costs. A state task force convened by the governor to find recommendations offered options including user fees, a tax, or selling naming rights to the exchange, all in the service of meeting operating costs estimated at two to three percent of insurance premiums.

Health Insurance Exchange Establishment Grants



*AK, CA, CO, HI, IA, KY, MA, MN, NV, NY, and TN have received two or more Level 1 Establishment grants. MD, NY, OR, WI and a multi-state consortium led by the University of Massachusetts have also received Early Innovator Grants.

HHS is offering grant money to help states with the costs of building an exchange, but that money will not be available for states that show up late to the party and opt in too close to the build-out deadline. Every state must have an exchange up and running, or be using a federal exchange, by Jan. 1, 2014. Federal authorities have said that the deadline on a decision, which was extended until next week, is the only extension they will offer to the states.

So far only California, Kentucky, New York and Washington are in the buildout stage. As of right now, according to the Kaiser Family Foundation, 16 states and the District of Colombia will establish state-based exchanges and 15 states are planning on letting the federal government set up their exchanges. The remaining states have until December 14 to decide which way to go on a fairly expensive and resource-intensive project. California's portal, for instance, has an estimated price tag of $359 million.

HHS wants states to know it's willing to be flexible as it tries to bring states onboard.

“We are working actively with states to give them options,” Sebelius said in November.

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