



Pence not ruling out health partnership with feds

By: TOM LoBIANCO, - November 14, 2012

INDIANAPOLIS (AP) — Gov.-elect Mike Pence has ruled out building a state-run health insurance exchange but appears to be leaving open the option of running a joint venture with the federal government as a critical decision deadline draws near.

State leaders have until Friday to declare whether they will manage their own programs for providing insurance plans under the federal health care law. And even though he won't be inaugurated for another six weeks, Pence will provide Indiana's answer to the Department of Health and Human Services under an arrangement outgoing Gov. Mitch Daniels worked out with this year's gubernatorial candidates.

Pence, a longtime opponent of President Barack Obama's law, has said a state-run exchange would be too expensive and also has cast doubt on expanding the number eligible for Medicaid. But opposing a state exchange would not necessarily rule out a "hybrid" system of state control over federal resources, based on deadlines set by the Obama administration.

"It's just one step at a time," Pence spokeswoman Christy Denault said Wednesday. "Obviously Mike has been clear on his positions. We'll simply be expressing that again to the governor before Friday's deadline."

On the face of it, uninsured Indiana residents are unlikely to notice much difference between a federal health insurance exchange, hybrid plan or state-run system in the coming years.

Any option would involve residents logging onto a website and selecting pre-approved health plans with basic amounts of coverage and, according to estimates provided by the state to Indiana's gubernatorial candidates this summer, cost roughly \$400 a month.

Open enrollment for exchange plans is scheduled to start Oct. 1, 2013, and coverage will be effective Jan. 1, 2014.

"To the consumer there should not be a major difference between the models," said Caroline Pearson, director in the health reform practice at Avelere Health Care, which advises health providers on the law. "... You're going to have a website where you buy insurance, and it shouldn't matter a lot to the consumer whether that website is designed and run by the federal government or designed and run by the state."

Behind the scenes, however is a much more complicated situation involving political positioning and determining whether officials in Indiana or Washington, D.C., will bear the responsibility of building an extensive new health care infrastructure for the state.

Pence's opposition to a state-run exchange may be based on principle, but it's also smart politics, said Bob Laszewski, president of Health Policy and Strategy Associates, a Washington-based firm advising health insurers on the new law.

If the Obama administration builds and runs an exchange it would not only bear the costs but also the responsibility for any failures, he said. And if the exchange is a shining success, Pence can swoop in and take it over after a year, he said.

"There's really no downside to Pence in letting the feds come in and build an exchange because he can come in and take it over within a year," he said.

It could also save Indiana money. The Pence campaign estimated building an exchange would cost the state \$50 million a year. Pearson pointed out, however, that the Obama administration is offering grants to states to offset most, if not all, of that cost.

Mike Ripley, Indiana Chamber of Commerce vice president for health care policy and workforce safety, said there could be some leeway for Pence if he places residents in the federal exchange because of a possible loophole that would allow employers to avoid penalties for not covering workers. That theory has not been tested in court, he notes, but is popular among conservatives and being pushed by the Washington-based Cato Institute.

The chamber is pushing for the state to run its own exchange, despite the new costs, because of the autonomy that would come with such a move. Ripley notes that adding to the uncertainty from the incoming Pence administration and the federal government, is

the potential the Indiana General Assembly will want a say when it reconvenes in January.

"Our opinion about all of these things is very fluid," he said. "There's so much uncertainty."