



Insurance exchange options hold uncertainty about state control, costs

By Eric D. Dixon

September 12, 2012

Gary Schneider, information technology manager for the Colorado Health Benefits Exchange, addressed Gov. Butch Otter's health insurance exchange working group at its Tuesday meeting.

Amid the nuts and bolts of what it might take to set up an Idaho health insurance exchange, questions of unknown costs and state sovereignty continue to arise.

Tuesday's meeting of Gov. Butch Otter's health insurance exchange working group focused on presentations from exchange supporters, both from the federal government's Department of Health and Human Services (HHS) and from other states that are in the process of creating their own. The meeting included few critical voices, but still raised concerns among working group members.

The provisions of the Patient Protection and Affordable Care Act (PPACA), commonly known as Obamacare, require that the federal government set up health insurance exchanges in states that do not opt to create their own. This leaves Idaho officials to make a decision between those two options, or pursue a third route that shares elements of each in partnership with the federal government. The law requires that an exchange of one of these varieties begin enrolling people in each state by Oct. 1 next year.

It became clear in Tuesday's meeting, though, that Idaho will not meet the Jan. 1, 2013, deadline by which a state readiness assessment is required, showing that Idaho has completed the steps necessary to implement an exchange so that the state can be certified as complying with the federal government's mandates. Even conditional certification from the federal government would require significant progress toward the creation of an exchange by Jan. 1, along with a presentation of the state's detailed plans to complete each additional step of the

process. Idaho officials have not yet determined whether they will create an exchange, however, and the Legislature, which convenes in January for the 2013 session, won't be in a position to pass enabling legislation until well after the deadline.

"It's really an incremental journey along the way, and the checklist is fairly extensive," said Gary Schneider, information technology manager for the Colorado Health Benefits Exchange. "They have a blueprint that's got, I would say, maybe 150 criteria that all have to either be met, or you have to attest that you'll meet them by a certain date, and this is the plan to meet them." Only a handful of states will be ready by the deadline, he pointed out.

Federal representatives of HHS said that they want to be as flexible as possible with states, giving them the time they need to complete the process of creating an exchange if, in fact, they decide to do so. Still, said Paul Dioguardi, director of the Office of Intergovernmental and External Affairs at HHS, the provisions of the PPACA require them to meet their own deadlines.

Those dates are pretty explicit in the statute," Dioguardi said via teleconference. "We're going to fully implement the law. We're required to make sure that exchanges are up and running in every state by the statutory deadline." He said that states unready to implement their own exchange in full could still opt for a partnership exchange, in which the state and federal governments each operate their own key portions.

Although the federal government has issued an array of exchange regulations so far, it remains unclear exactly what could be added to the list of requirements in the future. Dioguardi tried to assure working group members that "most of the rules that govern the functions of exchanges" are already finalized and well known, but he could not say what the future would hold.

"We've issued a ton of rules so far, and we'll continue to do so as we move through implementation here," Dioguardi said. "There are already a number of proposed and final rules that have gone through the process and are out there, but there may be other specific areas that may require rulemaking."

This illustrates a point made at the last working group meeting by Michael Cannon, director of health policy studies for the Cato Institute, a public policy think tank based in Washington, D.C. He said via teleconference at the Aug. 29 meeting that federal control over the implementation of an exchange is so extensive that it's a state exchange in name only.

"Creating an exchange yourself doesn't give you any more control over that exchange," Cannon said. "States are very leery of committing to an exchange when the federal government has yet to provide the sort of crucial information" that would provide certainty about the scope and details of federal regulation. Ultimately, he said, HHS could require Idaho to do anything in a state exchange that it would otherwise do through a federal exchange, so the distinction is nearly meaningless.

"In terms of federal oversight, it's not insignificant, I would say that," Schneider said of his experience helping to plan Colorado's exchange. "It's just like if you take federal money for your highway program or your Medicaid program, it comes with some strings attached."

Regardless of how much control Idaho would, or would not, retain over a state-created exchange, it would come with an uncertain pricetag for Idahoans. Schneider said the capitation rate per member per month (PMPM)—the guaranteed administrative payment from the exchange to care providers and insurers for each assigned patient, regardless of actual treatment—varies widely between states.

“It’s high initially, but we expect it to roll down somewhere in the \$9 to \$12 range for Colorado,” Schneider said. “And I can say when I was over in Kansas, and I talked to a lot of vendors when I was working over there, we were shooting for \$8 PMPM, and that’s going to be extremely hard to reach. And I’ve seen numbers all over the map; from West Virginia, I’ve seen numbers in the \$40 PMPM range. Again, it depends on how accurate your estimates are, what your technology cost is going to be. There’s a number of factors that go into that. Sustainability is a challenge.”