Feds approve eight state health insurance exchanges

By: Kelly Kennedy – January 3rd, 2013

WASHINGTON -- The federal government conditionally approved eight additional states to run health exchanges Thursday, bringing the total to 20 states that will have the programs that were authorized by the 2010 federal health care law.

The newly approved states that will run their own exchanges are California, Hawaii, Idaho, Nevada, New Mexico, Vermont and Utah. Arkansas will partner with the federal government for its exchange.

Although states with Republican governors have fought the law, such as Texas, four of them -- Idaho, Nevada, New Mexico and Utah -- have created the exchanges.

"I do think at lot of eyes are on Utah," said Cheryl Smith, a director at Leavitt Partners, which advises states about how to create exchanges. Utah has had its own exchange since 2006. "I think it also helps that Idaho was there. I think that bodes well for other 'red states.' "

Former Utah governor and Health and Human Services (HHS) Department secretary Mike Leavitt, a Republican, runs Leavitt partners.

To show their disapproval of the health care law, the majority of Republican-run states have not created exchanges. Some conservative groups, such as the American Legislative Exchange Council, say the exchanges forces the states to give up insurance regulation and advise states to rebel against the law by refusing to take federal money to create the exchanges.

HHS Secretary Kathleen Sebelius said residents of all 50 states would have access to a new marketplace in 10 months. Those who live in areas without a state-run exchange will be able to use the federal exchange.

A health exchange is a website that allows people to compare prices and benefits of health insurance plans before purchasing a plan through the website. The plans must meet federal guidelines laid out in the health care law.

Utah plans to keep working with HHS, and negotiations for a final plan are ongoing, Smith said. The conditional approval may also reassure other Republican-run states who feared that "if Utah can't get it done, then it's hopeless for us," she said.

The approval of Idaho and Utah shows that HHS is "desperate for good news," said Michael Cannon, health policy expert for the Cato Institute, a libertarian think tank that opposes the health care law. Utah's governor has asked HHS to let the state exchange remain virtually unchanged, Cannon said, while Idaho would have to break a state law prohibiting employers or employees from being penalized for not buying insurance.

No matter what states say about their independence running the exchanges, HHS will still control them, Cannon said. That's because HHS has final say over implementation. Arguments to the contrary, he said, are "just a smoke screen to get the states to do the heavy lifting on the exchanges."

Not so, said Jay Angoff, who was the first HHS official to oversee the implementation of the state exchanges.

Utah, Angoff said, is a litmus test for future cases. Although Utah's exchange had differences with federal law, the state's latest proposal complies with HHS rules in ways it had not previously. It requires insurers to post four levels of insurance plans so consumers can easily compare benefits and costs and also requires insurers to follow federal pricing rules.

The Utah exchange, called Avenue H, now serves small businesses and not individuals, as is required by federal law.

"The application seems to indicate that Utah is willing to change those things, and that's a big step," Angoff said. The state has until Feb. 1 to submit a more detailed plan showing it complies with the federal law.

Smith said she has seen other signs that Republican states are still interested, including a recent phone call to talk about state exchange models that included representatives from 17 states -- including some who said there was no way they would participate in the program.

"I think all of the states are still considering alternatives," she said. "It's a high-risk proposition to not do anything."

Republicans who are against "big government," such as those in the Tea Party, do not want to participate in what is seen as a federal health plan, Angoff said, but insurance companies want the states to build their own exchanges because they believe the states will be softer on the industry than the federal government will. And consultants, such as the Utah-based Leavitt Partners, stand to benefit financially if they can sell their services to more states.

Ultimately, Angoff said, more federal-run exchanges could be a boon for consumers because it would force insurers to compete on their prices and to standardize their benefits, keeping costs down and making it easier for people to compare plans.

"They're going to be up and running in October, regardless of who's running them," Angoff said.