

Health reform 2.0: states balking at new insurance exchanges

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Affordable Care Act's one-stop shopping for coverage won't be in place in time in many states, experts say.

(HealthDay)—Under the Affordable Care Act, the Obama administration's controversial reform of health care, states are supposed to assist uninsured Americans in buying health coverage by setting up so-called "insurance exchanges."

But, many [states](#) are dragging their heels on building the necessary infrastructure—and some have outright refused to do so.

This lack of action poses a significant challenge to get the law up and running.

Continued Republican opposition to the 2010 law, the U.S. Supreme Court battle to determine its [constitutionality](#), and ongoing uncertainty

over the future of [health](#) reform after the upcoming presidential election have stymied progress on exchange development, [policy experts](#) say.

"The ACA (Affordable Care Act) cannot be implemented without an insurance exchange in each state. It's a go or it's a no-go. It's that simple," said Robert Laszewski, president of Health Policy and Strategy Associates Inc., an Alexandria, Va.-based consulting firm.

So far, only 15 states and the District of Columbia have established exchanges, and three others—Arkansas, Delaware and Illinois—have indicated that they will partner with the federal government to do it, according to the Henry J. Kaiser Family Foundation.

Creating insurance exchanges—which are designed to make it easier for consumers to shop for insurance—is just one of two big hurdles facing the [health reform](#) law. The [Supreme Court ruling](#) in June upholding the constitutionality of the Affordable Care Act also allows states to opt out of the law's Medicaid expansion provision—a key piece in the drive to bring insurance to an estimated 30 million [uninsured Americans](#).

Critics of "Obamacare" hope that state resistance on both fronts will stop the reform effort in its tracks.

State-based health insurance exchanges are a critical part of the planned January 2014 expansion of insurance coverage through the Affordable Care Act, President [Barack Obama](#)'s signature policy initiative.

Beginning with enrollment in October 2013, individuals and employees of small businesses who are uninsured can go to the exchanges to compare private health plan options across four levels of coverage—bronze, silver, gold and platinum—and purchase coverage.

The exchanges must ensure that each health plan offers a sufficient

number of providers and meets other minimum standards. To participate in an exchange, an insurer must offer at least one "gold" and one "silver" health plan.

Each state's exchange must also maintain an up-to-date website with comparative health plan information; maintain a toll-free, consumer call center; and fund a "navigator" program to assist individuals and families with obtaining coverage. The exchanges are also the vehicle for people who meet certain income thresholds to qualify for tax credits to reduce their premium costs and federal subsidies to lower out-of-pocket expenses.

The federal government is offering premium assistance in the form of refundable tax credits to people with incomes up to 400 percent of the federal poverty level (\$44,680 for an individual and \$92,200 for a family of four in 2012) and out-of-pocket spending caps on covered services.

Some GOP governors critical of exchanges

Republican governors in six states have decided not to create a state-based health insurance exchange, and New Hampshire Democratic Gov. John Lynch, in the face of GOP opposition, signed legislation barring the state from creating its own exchange. As many as 16 states are still exploring their options and nine states have shown little progress in planning their next steps, according to the [Kaiser Family Foundation](#)'s latest tally.

In states that do not create an exchange, the federal government has the authority to do it for them.

States have until Nov. 16 to notify the U.S. Department of Health and Human Services (HHS) of their plans to create an exchange or partner with HHS to help create one. That gives states precious little time after

the Nov. 6 election to submit plans and get an exchange up and running by October 2013.

"It looks like 35 states won't be ready, at least," Health Policy and Strategy Associates' Laszewski said.

The federal government insists that it's up to the task of working with states to ensure that the exchanges are in place by the deadline.

"We can guarantee that consumers in every state will have an exchange in place by 2014. There's no question about that," said Fabien Levy, HHS press secretary.

Laszewski isn't so sure. "The administration has been emphatic this last month that they will be ready, but they're not being at all transparent about it. We have no idea how much progress they have or haven't made," he said.

Although HHS issued a final rule on the design and implementation of insurance exchanges in March, many issues remain unresolved, explained Cristine Vogel, associate director in the Chicago health care office of Navigant Consulting Inc., a specialty global consulting firm. The unknowns range from how the government will resolve consumer appeals to how much it will cost states to use the federal exchange, she said.

Detractors, supporters debate exchanges' value

What do states gain by refusing to establish an exchange?

"We look at state refusal as one of the ways that states can protect themselves from the overreach of federal law," said Twila Brase, a registered nurse and president of the St. Paul, Minn.-based Citizens'

Council for Health Freedom, which opposes the [Affordable Care](#) Act. One way the delay protects states, she said, is by avoiding the high cost of operating an exchange, estimated to run anywhere from \$10 million to \$100 million a year, depending on the state.

Others see state refusals on health exchange creation as little more than political posturing.

"I think they're taking a political gamble hoping that President Obama is [not reelected], and that is really putting all your money on one number," said Navigant's Vogel. "[They're saying] 'I did not support Obamacare at all.'"

Jon Kingsdale, managing director and co-founder of the Boston office of Wakely Consulting Group and former executive director of the state agency serving as Massachusetts' health insurance exchange, doesn't believe states will shut themselves out of the process of creating an exchange.

"My own sense is that even if the state backs completely away from doing the exchange, there'll still be some coordination" with the federal government, he said.

Even though many people would benefit from the tax credits and consumer assistance that exchanges will offer, exchange implementation, for the most part, isn't even on consumers' radar.

"I really doubt too many people even understand the health-care reform law and the exchanges," Vogel said.

More information: The U.S. Department of Health and Human Services has more information on [target=" new">health insurance exchanges](#).

This is a first part of two-part series. To read part two of this series, "Governors pushing back on medicaid expansion," [click here](#).

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