State policymakers begin to set up health insurance exchanges

By Kathryn Tormey
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This brief from the Midwestern Legislative Conference Health and Human Services Committee explores what actions states must take this year in order to set up health insurance exchanges.

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By 2014, all states must have in place health insurance exchanges that allow consumers to search for and compare prices of private insurance plans. The requirement is part of the federal Affordable Care Act passed last year.

Under the law, states must offer an online marketplace that also allows consumers to determine their eligibility for public health programs such as Medicaid. Users will also be able to find out whether their income qualifies them for federal subsidies to purchase private health insurance plans through the state-based exchanges.

But what actions do states need to take in order to plan for and set up these exchanges by 2014?

States must first authorize the exchanges through legislation or executive order, says Joel Ario, director of the Office of Health Insurance Exchanges in the U.S. Department of Health and Human Services Center for Consumer Information and Insurance Oversight. The agency oversees provisions of the Affordable Care Act that pertain to private insurance.

Ario was the featured speaker on a webinar held last month by The Council of State Governments in partnership with HHS.

In developing these laws, many states will use the National Association of Insurance Commissioners’ model legislation as a starting point.

But individual states will have to decide how the exchanges will be governed moving forward. There are three main options, Ario says: turning the responsibility over to a state agency (which has been done by Utah), creating a completely independent nonprofit organization, or using a blend of those two strategies by setting up a quasi-governmental authority. This third option is currently being used in Massachusetts and California, he says.

Ario also spoke about the federal law’s provisions regarding the cost of setting up state-based exchanges.

For state legislators, Ario says: “It is good to know that the exchanges will not be a direct hit of any
sort on state budgets. All necessary costs for setting up a state exchange are covered by the federal government.”

Funds to create state exchanges are being given to states in the form of grants. In the fall, 10 Midwestern states received $1 million in planning grants to help get their health insurance exchanges off the ground. Minnesota applied for a planning grant earlier this year and received approval for funding last month.

In addition, in February, “early innovator” grants were awarded to seven states, including Kansas ($31.5 million) and Wisconsin ($37.8 million). These grants are designed specifically to help these states develop “consumer-friendly” information-technology systems that help handle enrollment and eligibility for public programs or subsidies.

The goal is for these seven pilot states to create IT systems that match the requirements of the federal law and that will be transferable.

“This will help states establish their exchanges quickly and efficiently using the models and building blocks created by the ‘early innovator’ states. At the same time, states continue to have the flexibility to develop an exchange that best meets the needs of their unique health insurance market without having to start from scratch,” according to a press release issued by the federal government when it announced the grants.

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