Robert Wood Johnson Foundation

Published: December 18, 2012
Program Results
Grant ID: 68118, 68877

Creating a Roadmap for State Health Insurance Exchanges

Developing model legislation to aid state policy-makers in establishing insurance exchanges under health reform

SUMMARY

The federal Patient Protection and Affordable Care Act, the health reform law passed in 2010, calls on states to establish health insurance exchanges that will offer a choice of health insurance plans to individuals and small businesses.

From September 2010 to August 2012, the National Academy of Social Insurance (Washington) developed model legislative language and published issue briefs to help state policy-makers implement health insurance exchanges.

"The most important thing was that it really gave state policy-makers an easy to use roadmap on exchanges," said Project Director Lee Goldberg, JD, MA.

Key Results

- In January 2011, the National Academy of Social Insurance released a toolkit, *Designing an Exchange: A Toolkit for State Policymakers,* containing legislative language and analysis of key issues facing state policy-makers as they planned their exchanges.
- The academy also published six issue briefs on health reform issues facing the states:
  - Governance issues: *Governance Issues for Health Insurance Exchanges*
  - Active Purchasing: *Active Purchasing for Health Insurance Exchanges: An Analysis of the Options*
  - Federally-facilitated exchanges: *Federally-Facilitated Exchanges and the Continuum of State Options*
  - Relationship building between Medicaid, exchanges, and the insurance market: *Building a Relationship between Medicaid, the Exchange and the Individual Insurance Market*

— Plan management: *Plan Management: Issues for State, Partnership and Federally Facilitated Health Insurance Exchanges*

— Technology infrastructure: *Establishing the Technology Infrastructure for Health Insurance Exchanges Under the Affordable Care Act: Initial Observations from the 'Early Innovator' and Advanced Implementation States*

Funding

The Robert Wood Johnson Foundation supported this project through two grants totaling $495,000.[1]

CONTEXT

The Affordable Care Act requires the establishment of state or regional health insurance exchanges to make health coverage available to individuals and small businesses. The Congressional Budget Office estimates that by 2019 approximately 29 million people will receive coverage through the new insurance exchanges.[2]

These exchanges will offer a choice of plans, establish common rules regarding the offering and pricing of insurance, and provide information to help consumers better understand their choices. While federal regulations will define certain requirements, each state will be able to design important aspects of the operation and financing of its exchange.

Under the act, states must have fully operational exchanges by 2014. By January 1, 2013, the Secretary of Health and Human Services must certify that each state is on track to meet the deadline. If not, a federally-facilitated exchange must be established instead. Designing and implementing an exchange requires substantial work before these deadlines.

RWJF's Interest in This Area

RWJF's Coverage Program Management Team has adopted a strategic objective to achieve stable and affordable health insurance coverage for 95 percent of all Americans by 2020. Fundamental to achieving this objective will be the success of the states in creating sustainable health insurance exchanges that will help consumers navigate the private health insurance market. The purpose of this project fits with this objective.

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[1] Grant ID #s 68118 and 68877

[2] Nathan R, Van de Water P. *Governance Issues for Health Insurance Exchanges*. Washington: National Academy of Social Insurance, January 2011. Available online.

THE PROJECT

This project had two objectives:

- To develop model legislative options for states to use in designing their exchanges
- To commission reports on issues related to the implementation of health care reform by the states

The National Academy of Social Insurance convened a study panel of 21 health policy and insurance experts to provide input on creating state health insurance exchanges. Panel members represented a variety of disciplines and perspectives in academia, government, the insurance industry, employers, and consumers. See the Appendix for the list of members.

The study panel divided into four workgroups to explore policy options related to exchanges, with membership in each reflecting the participants' expertise:

- Governance of the exchanges
- Exchange functions and responsibilities
- Relationship of the exchanges to the insurance market
- Relationship of the exchanges to Medicaid

The academy collaborated with organizations devoted to state-level issues, including the National Governors Association, the National Council of State Legislatures and the National Association of Insurance Commissioners. These groups provided input at the study panel meetings and distributed the project's products to their members.

The academy disseminated products to policy-makers through briefings and public presentations at conferences. In addition, it held three national webinars:

- Designing a Health Insurance Exchange: A Toolkit for States, March 8, 2011 (134 attendees)
- An Interactive Discussion of Active Purchasing, June 15, 2011 (140 attendees)
- Evaluating the Options: State Insurance Exchanges, January 10, 2012 (345 attendees)

"We were an apolitical voice out there," Project Director Goldberg said. "When you talk to these lawmakers and commissioners, it is such a political issue. It's striking how intense the atmosphere they work in is. Some states have vehement opposition to health care reform, so it was helpful to provide some things for them to think about and consider, to provide expert advice and knowledge."

Other Funding

The academy received $10,000 from Merck & Company to plan and launch the project.

RESULTS

The National Academy of Social Insurance reported the following results to RWJF:

- **In January 2011, the academy released a toolkit, *Designing an Exchange: A Toolkit for State Policymakers,*[3] containing legislative language and analysis of key issues facing state policy-makers as they planned their exchanges.** The toolkit built on a model law released in late 2010 by the National Association of Insurance Commissioners, presents additional policy options for building successful exchanges. Issues covered included:
  - Establishment and governance of exchanges
  - Establishment of a program for small employers
  - Certification of qualified health plans
  - Determining eligibility for financial assistance
  - Policies regulating insurance brokers and agents
  - Policies to deal with adverse selection (the possibility that a plan or an exchange might attract a disproportionate number of high-cost enrollees)
  - Coordination with state insurance regulators
  - Coordination with Medicaid, which covers low-income individuals and families
- **During the second grant, the academy published six issue briefs on health reform issues facing the states:**
  - *Governance Issues for Health Insurance Exchanges,*[4] released with the toolkit in January 2011, outlined the key issues states will face in choosing the type of agency that will oversee each exchange, as well as its geographic scope. It focuses on structural issues that must be addressed in authorizing legislation, and analyzes the suitability of various options given a state's political and policy-making culture.
  - *Active Purchasing for Health Insurance Exchanges: An Analysis of the Options*[5] discussed the extent to which states should regulate and limit plans on the exchanges, rather than simply opening the exchanges to the broadest possible

[3] National Academy of Social Insurance, January 2011. Available online.

[4] Nathan R, Van de Water P. National Academy of Social Insurance, January 2011. Available online.

[5] Corlette S, Volk J. National Academy of Social Insurance, June 2011. Available online.

array of plans. It assessed factors that could support or undermine an activist approach to the exchanges, and concluded that all states could engage in at least some regulation of plans on the exchange.

— *Federally-Facilitated Exchanges and the Continuum of State Options*[6] examined the options available when a state is not prepared to set up an exchange on its own. In that case, the federal government would set up the exchange, but there are a range of options for how state and federal governments could share responsibility for managing it.

— *Building a Relationship between Medicaid, the Exchange and the Individual Insurance Market*[7] examined how states can provide a seamless continuum of coverage for individuals who may at times be eligible for Medicaid but at other times will be part of the broader health insurance market. Enrolling and providing quality health care to these individuals despite these shifts will be an important goal for both Medicaid and state exchanges.

— *Plan Management: Issues for State, Partnership and Federally Facilitated Health Insurance Exchanges*[8] evaluated how regulation of health insurance markets at both the state and federal levels will change under the reform law. It noted that the exchanges' responsibilities represent an expansion of states' oversight of insurers.

— *Establishing the Technology Infrastructure for Health Insurance Exchanges Under the Affordable Care Act: Initial Observations from the 'Early Innovator' and Advanced Implementation States*[9] examined the experience of states that were furthest along in developing an information technology infrastructure for their health insurance markets and discussed the challenges facing all states in this field.

LESSONS LEARNED

1. **Monitor similar work by other organizations and government to avoid overlapping efforts.** "It's important to have a good understanding about what other groups were doing on this topic, and find an opportunity to collaborate with other organizations," stated Sabiha Zainulbhai, health policy associate at the academy.

2. **Model legislative language may be more useful to policy-makers than general policy discussions.** "I was really pleased with the model language approach," said Project Director Goldberg. "It gave people … a concrete tool."

3. **Make the parameters of the discussion clear to study panel members, and produce a product that contains them all.** While the toolkit wasn't a political

[6] Bachrach D, Boozang P. National Academy of Social Insurance, December 2011. Available online.

[7] Riley T, Rosenbaum S. National Academy of Social Insurance, January 2012. Available online.

[8] Corlette S, Lucia K, Volk J. National Academy of Social Insurance, May 2012. Available online.

[9] Himmelstein J, Tutty M. National Academy of Social Insurance, September 2012. Available online.

document, differences among panel members somewhat limited the scope of the toolkit, according to Goldberg. “I’d like to see us go further with the toolkit on what a robust exchange would look like,” he said. “If you are going to have something that provides different options, then you need the full continuum.”

4. **Allow study panel members to interact both in-person and remotely.** The study panel met in person twice, which allowed everyone to get to know each other. This led to collegial working relationships as they worked on the toolkit and reviewed reports over the phone and emails.

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APPENDIX

Study Panel on Health Insurance Exchanges

(Current as of the time of the grant; provided by the grantee organization; not verified by RWJF.)

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Himmelstein J, Tutty M. *Establishing the Technology Infrastructure for Health Insurance Exchanges Under the Affordable Care Act: Initial Observations from the 'Early Innovator' and Advanced Implementation States*. Washington: National Academy of Social Insurance, September 2012. Available online.

Toolkits

Designing an Exchange: A Toolkit for State Policymakers (a 44-page document). Washington: National Academy of Social Insurance, January 2011. Available online.