Implementation of the Affordable Care Act: Early Experiences in Ten States

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The Affordable Care Act, in very brief

- Medicaid expansion, now at state option due to Supreme Court;
- Private insurance market reforms;
- Health insurance exchanges for nongroup and small group insurance;
- Premium & cost-sharing subsidies for modest income without affordable ESI.
UI Monitoring and Tracking Project

Urban Institute

- **Qualitative**: in depth, comprehensive studies of progress on health reform implementation
  - Site visits and interviews in the 10 states

- **Quantitative**: national and state level analyses focused on:
  - Coverage
  - Access
  - Premiums
  - Affordability
  - Health expenditures
Focus on 10 states

Alabama
Colorado
Maryland
Michigan
Minnesota
New Mexico
New York
Oregon
Rhode Island
Virginia
Monitoring and Tracking

Qualitative Analysis

- State Officials
- Consumers
- Providers
- Policy makers
- Insurers
- Business Reps
- Brokers
Approach to Qualitative Analyses – Year 1

- 10 state reports based on structured in-person interviews and document review

- Informants: state policymakers (executive & legislative: state agency staff; stakeholders (providers, insurers, brokers), consumer advocates, employers

- Interviews relied on set of standardized protocols
  - Prepared by topic-related experts
  - Informant-type specific
  - State-specific adjustments where appropriate
Approach, continued

- Teams of 3-4 researchers in each state for 3-4 days
- 15 to 20 informants per state
- Interview notes coded using Nvivo
- Informant confidentiality, no direct quoting without permission
- Review for accuracy by state contact
- Year 2 Focus: cross-cutting papers on specific topics of interest
Why exchanges? Problems with unstructured small group & nongroup markets

- Policies are highly variable, and some leave policyholders underinsured;
- Market rules and consumer protections vary widely across states & products;
- Products are often confusing;
- Consumers face difficulty weighing options and understanding how coverage works.
Exchanges intended to provide structure & oversight to these markets. Ideally will play role in:

- Risk spreading;
- Cost containment;
- Delivering health insurance subsidies;
- Facilitating & ensuring enrollment;
- Ensuring meaningful coverage;
- Promoting insurance transparency & accountability.
Focus on Health Insurance Exchange Implementation Status

- Legal Authority
- Governance
- Design Decisions Made
- Decisions Still to be Made
Status of HIX Development/Legal Authority

Three Options:
- Executive Order: RI, NY
- Legislation: OR, MD, CO
- Studying Options: AL, MN, MI, NM, VA

Advantages and Disadvantages:
- Executive Order can be done faster, but may limit governance options
- Legislation engenders broader based political support going forward & potentially more governance flexibility
Legal Authority, examples

- **Oregon**
  - Senate Bill 99, Oregon Health Insurance Exchange

- **Rhode Island**
  - Had consensus on legislation, but was derailed due to an abortion amendment
  - Enforced through Executive Order 11-09

- **Virginia**
  - Intent to develop legislation
  - Unclear if add’l establishment legislation needed
HIX Governance

- Identifies where the exchange is institutionally located and the decision making structure

- Options are:
  - Quasi-Public
  - Non-Profit
  - Government Agency
## Governance Options, examples

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<tr>
<th>Type</th>
<th>Advantages</th>
<th>Disadvantages</th>
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<tbody>
<tr>
<td>Quasi-Public</td>
<td>• Flexibility, transparency, and independence</td>
<td>• Requires political support and legislation, COI</td>
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<td>• MD, OR, CO &amp; AL (expected), MN &amp; VA (recommended)</td>
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<tr>
<td>Non-Profit</td>
<td>• Political independence, flexibility</td>
<td>• Less transparency, communication difficulties, COI provisions, lacks rulemaking authority</td>
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<tr>
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<td>• MI and NM (recommended)</td>
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<tr>
<td>Government Agency</td>
<td>• Easy to create, transparent, can be done via executive order</td>
<td>• Procurement/salary, political nature</td>
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<td>• RI &amp; NY</td>
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Design Choices

- Separate vs. merged SG/NG markets
- Small group size prior to 2016
- Age rating bands- 3:1 or tighter
- Selective vs. passive purchaser
- 3 R’s – risk adjustment, risk corridors, reinsurance
- EHB benchmark option/state mandates
- State funds for subsidization
- SHOP participation requirements
Design Choices, examples

- With regards to market reforms, states are choosing caution and minimizing disruption.

- Selective vs. Active Purchasing
  - MD, OR, RI likely to be selective purchasers.
  - VA, AL, CO, MI likely to use passive purchasing model.

- Conflict of Interest Provisions
  - Contentious battle in states.
  - OR, MD, RI.
Some prominent decisions left to be made

- **EHB benchmark option, variation to be permitted** – many focusing on largest small group plan
- **Consumer outreach/education**
- **Oversight/data collection from plans**
- **Data dissemination to consumers**
- **Basic Health Program**;
  - NY, MI, MD, OR, and RI considering
Basic Health Program (BHP) Option – Example of a big decision that is hard to make

- Medicaid-like program for individuals with incomes between 138% and 200% FPL
- Federal funding: 95% of cost of providing BHP enrollees with Exchange subsidies
- No state has decided officially to implement a BHP
  - Many studying/still considering the option
  - Unlikely in: AL, CO, and VA
BHP Option, Continued

**Potential Advantages**
- Smoother consumer transitions
  - Plan/provider continuity with Medicaid
  - Greater affordability than Exchange plans
- Could help viability of Medicaid plans

**Potential Disadvantages/Concerns**
- Negative effects on Exchange risk pool
- Federal funding may not be adequate, exposing state to additional expenditures
- Provider concerns: BHP reimbursement would mirror Medicaid rates

**Absolutely no guidance issued by feds, so accurate federal payment estimates cannot be made**
General HIX Conclusions

- States engaged in the process; stakeholders felt approach was open and varied opinions heard
- Broad sense across political spectrum that a state-run HIX is preferable to federal
- Political environment in most states is very difficult
- States not achieving significant milestones already will be hard-pressed to establish SBE by 1/1/2014, but could take-over HIX later
- For those pressing forward, difficult decisions remain, but optimism that they will be ready