



## **Background on the Ohio's Health Insurance Exchange**

After the passage of the Patient Protection and Affordable Care Act (ACA), in March 2010, the Department of Health and Human Services (HHS) encouraged states to apply for a range of funds to plan for and implement the various provisions of the ACA.

Under the ACA, states were given three options. States could establish state-based Health Insurance Exchanges (Exchanges), which can be a government agency or a non-profit organization. If the states did not do this, the federal government would step in to set the exchanges up. A third option allows for a hybrid state-federal exchange.

An Exchange is a marketplace where individuals and small businesses can purchase affordable private health insurance. Beginning on January 1, 2014, individuals and small businesses up to 100 employees (states can choose to include larger employers in the future) can purchase private health insurance from the Exchange. Also, beginning in 2014, Exchanges will offer consumers the same kinds of insurance choices that members of Congress will have.

In addition to offering a choice of different health insurance policies, the Exchange, will determine subsidies and tax credits, certify participating health policies and provide information to help consumers better understand their options.

Through the Exchange and the expansion of Medicaid eligibility more than 30 million Americans are expected to gain health insurance coverage starting in 2014.

As per the ACA, by January 1, 2013, HHS will make a determination about the readiness of states and their Exchanges. The Secretary of HHS will determine whether a state has demonstrated that it is prepared for a fully operational state Exchange by January 1, 2014. The Secretary may grant a state either a "full" or a "conditional" approval of an exchange. "Conditional" approval implies that the state has made some progress in developing an operational exchange but has not yet reached "readiness level." States that receive "conditional" approval can then continue to work with HHS to obtain "full" approval.

State-based and operated Exchanges are expected to be financially self-sustaining by January 1, 2015.

Starting in Summer 2010, the federal government began offering financial and technical assistance to help states set up Exchanges. In 2010, the Ohio Department of Insurance was centrally involved in the planning and implementation of the ACA in Ohio and was awarded \$1 million for planning a State based Exchange.

The Ohio Department of Insurance was to conduct the research and planning needed to build a health insurance marketplace and determine how the Exchange would operate and be governed

in Ohio. Future funding was expected from HHS to support development and implementation activities through 2014.

States could use these funds in a variety of initial planning activities, including:

- Assessing current information technology (IT) systems and infrastructure and determining new requirements.
- Coordinate and assess state-specific research on Exchange population and usage; market impact
- Developing partnerships with community organizations to gain public input into the Exchange planning process.
- Planning for consumer call centers to answer questions from their residents.
- Determining the statutory and administrative changes needed to build the exchanges.
- Hiring key staff and determining ongoing staffing needs.
- Planning the coordination of eligibility and enrollment systems across Medicaid, CHIP, and the Exchanges.
- Developing performance measures, milestones and ongoing evaluation.

An Ohio Health Insurance Exchange Planning Task Force was formed in Fall 2010 for the planning and implementation of the Exchange. The Task Force was comprised of various healthcare related stakeholders (physicians, nurses, hospitals, consumer advocates, small and large business trade groups, labor groups, policy makers and the insurance industry) and began to hold public meetings.

The Task Force identified a plan on how best to provide guidance to state government in order to move forward on a State based Exchange, strategically apply for more federal funding to set up and initially finance the Exchange and identified key federal benchmarks to be addressed. These benchmarks, identified by HHS, included: identifying a vision for the Ohio Exchange, a governance structure and board, research and analysis needed for the Exchange, IT gaps and needs, coordination and integration with Medicaid, legislation and a transparent plan to gather regular public feedback.

On January 20, 2011, the U.S. Department of Health and Human Services (HHS) announced another new funding opportunity for grants to help States continue their work to implement Health Insurance Exchanges.

Since the planning and implementation for the Exchange within states are at different levels states were offered grants that matched their level of progress (especially based on what

benchmarks they had met since they were awarded their Summer 2010 Exchange Planning grant).

States applied to use those grants for a number of planning activities including research to understand their insurance markets, efforts to obtain the legislative authority to create Exchanges, and steps to establishing the governing structures of Exchanges.

The Exchange establishment grants announced on January 20, 2011 recognized that States are making progress toward establishing Exchanges but are doing so at different paces. States could initially apply for either level one or level two establishment grants, based on their progress. State could also choose when during the year to apply for grant funding based on their needs and planned expenditures. States would have multiple opportunities to apply for funding as they progress through the Exchange establishment process.

**Level One Establishment Grants:** These grants provide up to one year of funding to States that have made some progress under their Exchange planning grant. States can reapply for a second year of funding under the level one establishment grants if necessary to meet the criteria to apply for level two establishment grants. The rolling deadline was recently extended into Summer 2012.

**Level Two Establishment Grants:** This category of grants is designed to provide funding through December 31, 2014 to applicants that are further along in the establishment of an Exchange.

In order to qualify for Establishment Grants (Level 2), which will be offered through 12/31/2014, States must meet specific eligibility criteria, including benchmarks including:

- Legal authority to establish and operate an Exchange that complies with Federal requirements available at the time of the application;
- A governance structure for the Exchange;
- A budget and initial plan for financial sustainability by 2015;
- A plan outlining steps to prevent fraud, waste, and abuse; and
- A plan describing how consumer assistance capacity in the State will be created, continued, and/or expanded, including provision for a call center.

There are several rolling deadlines and at this point the last deadline for Level Two is on June 30, 2012.

To date, the Ohio Department of Insurance has not applied for new funding. And, the Health Exchange Task Force (under the Health Care Quality and Cost Council) was abandoned in February 2011.

Interestingly, funds from the first (and only) Exchange award, of \$1 million, were used by ODI to hire consultants (Milliman and KPMG) to conduct needed research and analysis. Overall, the Milliman and KPMG Reports provide useful information.

The two Milliman Reports focus on the following: non-IT costs for the Ohio Exchange; the worst case scenario if Ohio doesn't properly plan and implement the Exchange including the impact on premiums and enrollments; how Ohio can finance the Exchange or potential revenue sources; what the Exchange would cost the state (\$19 million for the Baseline Scenario to \$33 million for the Robust Scenario); and employees needed for the Exchange. They recommend utilizing a process involving healthcare stakeholders and establishing a financial surplus in 2014.

Taylor cherry-picked information from the Milliman reports and publicized the worst case scenario, without caveats provided by Milliman, claiming that premiums will skyrocket. She also mentioned how much it will cost Ohio to have a state run Exchange.

The KPMG Report focused on the IT costs of an Ohio Exchange and conducted "an IT gap analysis," outlining what will be needed to be in compliance with the ACA. Taylor and the Ohio Department of Insurance have yet to reference this report.