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OCTOBER 2011

The Development of Health Insurance Exchanges: What Have Indiana and Other States Accomplished So Far?

Federal law mandates each state create a Health Insurance Exchange from which individuals may purchase insurance; failure to do so by 2014 will result in an Exchange created and operated by the Secretary of the U.S. Department of Health and Human Services. A Health Insurance Exchange is designed to reduce health care spending by creating a new marketplace that will help to reduce the costs of health insurance. Because federal lawmakers felt that each state has different needs, they chose to give every state the opportunity to tailor their Exchange to address their unique circumstances. In an effort to assist in this process, states can receive financial assistance from the federal government to aid in establishing their exchanges.

What have other states done?

To create an exchange, states must first give themselves the legal authority to establish a state-based Exchange [1]. As of September 2011, 13 states have passed laws establishing Exchanges [1]. Massachusetts and Utah created Exchanges prior to 2011, though additional steps may be necessary to meet specific provisions in the Patient Protection and Affordable Care Act (PPACA) [2].

North Dakota and Virginia have passed legislation signaling intent to create Exchanges. Mississippi and Wyoming have each established committees to study the feasibility of creating Exchanges in their states [2]. New Jersey, North Carolina, Pennsylvania, and the District of

Columbia currently (as of September 2011) have pending legislation on exchanges [3]. The Governor of Louisiana announced that his state will not operate an exchange and New Mexico's Governor vetoed legislation that would have created an exchange [3]. Florida's legislature did not introduce a bill during the 2011 legislative session and their Governor has strongly opposed health care reform [3]. Other states have passed legislation to move forward with the creation of exchanges, but have not explicitly created them [2, 3].

What has Indiana done?

On January 14, 2011, Indiana Governor Mitch Daniels signed Executive Order 11-01 [4, 5]. This Order conditionally established the Indiana Insurance Market, Inc., a non-profit corporation that would be the state health benefit exchange under PPACA [2]. The Indiana Family and Social Services Agency (FSSA) will work with the Indiana Department of Insurance (IDOI), and other applicable State agencies, to establish and operate the Exchange [4, 5].

In 2010, Indiana applied for and received a \$1 million State Planning and Establishment Grant from the Department of Health and Human Services for the creation of the Exchange [6, 7]. Though working to establish the Exchange, there are no obligations should the State decide to let the Federal government operate it [5].

The following is a brief summary of Indiana's actions during 2010-2011 from the State's Exchange planning grant [6]:





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Quarter 1 (9/30/2010-12/31/2010)

- Retained the State Health Access Data Assistance Center (SHADAC) to complete an assessment on the insured and uninsured in the State as well as the number of potential users of the Exchange.
- Administered an internet-based questionnaire to garner input from health care providers, insurers, business leaders, and consumer group stakeholders on the Exchange - over 400 respondents completed the survey.
- Conducted extensive research on the creation of an Exchange and developed a white paper on the advantages/disadvantages of a State-run Exchange.
- The Governor's office worked with FSSA and IDOI to determine what functions would be performed by each agency under the Exchange.
- Contracted with Deloitte to do a gap analysis on the State's information technology (IT) needs when implementing the Exchange.
- Secured Ice Miller, LLP, to determine the legislative requirements for the Exchanges. It was determined the State did not need legislation to create a non-profit exchange and an Executive Order was developed to create the Exchange.
- Presented options to stakeholders via the stakeholder survey to ask about potential funding for the Exchange. The State also investigated how various other non-profit entities were financed and function.

Quarter 2 (1/31/2011-4/30/2011)

- Dispersed the Indiana Exchange Questionnaire, which covered design options for the creation of an Indiana Exchange under PPACA, to four different stakeholder groups: insurers and brokers; businesses; individual consumers; and healthcare providers.
- Milliman, Inc., has participated in design meetings for the Exchange, conducted research, and prepared white papers for various topics on the Exchange. Estimates were completed on the current landscape of the Indiana insurance market, including projections on the number of individuals who will seek through the various markets created.

Quarter 2 (1/31/2011-4/30/2011) continued

- Completed assessment of current health insurance coverage and potential users of the Exchange. The assessment was expanded by information from Milliman, Inc., using Medical Loss Ratio (MLR) data to show the present state of the health insurance market in Indiana.
- Participated in all webinars and conferences offered by Federal partners and policy groups and the Indiana Department of Insurance (IDOI) prepared two background papers on behalf of the National Association of Insurance Commissioners (NAIC).
- Held regular meetings on Exchange design and policy with FSSA, IDOI, and others regarding Exchange implementation.
- Worked on by-laws and governance structure for Indiana Insurance Market, Inc.

Quarter 3 (5/1/2011-7/31/2011)

- Completed analyses of the Indiana Exchange Questionnaire and included all of the key policy issues and design options for the Exchange. Over 2,600 respondents completed the survey.
- Completed research on the current Indiana insurance market, and how it would be impacted by the Exchange.
- Continued to participate in conference calls with Federal partners or policy organizations for Exchange planning. The State attended the Health and Human Services (HHS) Exchange Grantee meeting in May 2011. Indiana conducted a follow-up call with Utah in regards to their small group exchange.
- Continued meeting with various stakeholder groups, including a presentation and testimony before the Indiana Health Finance Committee by Seema Verma on July 13, 2011.
- Continued meeting with FSSA and IDOI; bi-weekly meetings occur with a Medicaid-focused group on the possible integration of Medicaid and the Exchange.
- Received feedback from key stakeholders on how the Exchange should be financed. The highest chosen financing option was to "Charge insurer's a fee to offer plans on the Exchange" by 44.7% of all respondents. Only 5.3% of respondents chose the option to "Create a new tax".



Level One Establishment Grant

Indiana was awarded a Level One Establishment Grant for \$6.9 million in the spring of 2011 by the U.S. Department of Health and Human Services. The development of a financial management plan is the focus of the Level One funding [7]. The purpose of the grant was for the State to receive a second round of funding (the first such funding was from the State Planning and Establishment Grant) for the creation and planning of the Exchange [7]. A significant part of the additional funding will be used for information technology (IT) systems for the Exchange. The remainder will be used for legal, actuarial, financial expertise, and general policy support [7]. Different business models are being explored, and a long-term financing plan for the Exchange will be developed once the design is complete [7].

More Information on Indiana and the Patient Protection and Affordable Care Act:

- Indiana's Continuing Efforts:
<http://www.in.gov/aca/>
- Affordable Care Act Questionnaire, State of Indiana, Summary Report (December 1, 2010):
http://www.in.gov/aca/files/Affordable_Care_Act_Questionnaire_Report.pdf
- Exchange Questionnaire Report – Indiana's Stakeholder Outreach (June 20, 2011):
<http://www.in.gov/aca/files/FinalDraftExchangeQuestionnaireReport.pdf>
- Milliman Inc., Issue Briefs on the State of Health Insurance Market and the Market under PPACA: <http://www.in.gov/aca/2330.htm> (under "Exchange Planning Grant" section)
- National Conference of State Legislatures. Federal Health Reform: State Legislative Tracking Database:
<http://www.ncsl.org/?TabId=22122>

References

1. Collins, S.R., Garber, T. *State Health Insurance Exchange Legislation: A progress report*. 2011, September 12 September 26, 2011]; Available from: <http://www.commonwealthfund.org/Blog/2011/Jun/State-Health-Insurance-Exchange-Legislation.aspx>
2. Kaiser Family Foundation, *Establishing health insurance exchanges: An update on state efforts*, 2011, July 11.
3. Kaiser Family Foundation, *Implementing Health Insurance Exchanges: State Profiles*, 2011, September 15.
4. *Establishing the Indiana Health Benefit Exchange; Indiana Executive Order #11-01*.
5. Verma, S., *Update on exchanges. Presentation to the Joint Select Commission on Medicaid Oversight*, 2011, August 23.
6. Office of Consumer Information and Insurance Oversight, *State Planning and Establishment Grants for the Affordable Care Act's Exchanges – Quarterly project report - Indiana*, 2011, July 31.
7. State of Indiana, *Indiana Insurance Market Level One Funding Solicitation. Project Narrative & IT Gap Analysis Summary*, 2011, Health and Human Services Cooperative Agreement to Support Establishment of State-Operated Health Insurance Exchange, Funding Opportunity Number IE-HBE-11-004.



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The Center for Health Policy

The mission of the Center for Health Policy is to collaborate with state and local government and public and private healthcare organizations in policy and program development, program evaluation, and applied research on critical health policy-related issues. Faculty and staff aspire to serve as a bridge between academic health researchers and government, healthcare organizations, and community leaders. The Center for Health Policy has established working partnerships through a variety of projects with government and foundation support.

This proposal was prepared as a public service for the State of Indiana to promote discussion on various options regarding the future of state-level health reform in Indiana. The views expressed are those of the authors and do not necessarily reflect the positions of Indiana University and the Center's partner organizations or funders.

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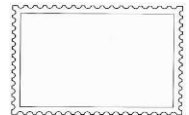


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