Health-Care Reform: Federal Health Insurance Exchange Requires State Cooperation

By Steve Spires

Federal health care reform—the Affordable Care Act (ACA)—is projected to cut the number of uninsured Louisianans by at least 60 percent once its fully implemented, according to conservative estimates. Starting in 2014, every state will have access to new programs to expand coverage options to uninsured residents. Medicaid will become available to everyone with a family income up to 133 percent of the federal poverty line, or $30,650 for a family of four. While much of the health coverage gains in Louisiana will be due to expanded Medicaid eligibility, as many as 350,000 Louisianans could get insurance through a new entity called a health insurance exchange.

The exchange will be a new, easy-to-use marketplace where individuals and small businesses can comparison-shop for private health insurance. To help make insurance more affordable, premium tax credits will be available for families with incomes up to four times the federal poverty level, and new consumer protections will make sure that the coverage is high-quality and comprehensive. A well-functioning health insurance exchange will encourage competition among insurers and provide better quality and prices for consumers.

The ACA envisions that each state would set up and run its own exchange within broad federal guidelines, and provides millions of dollars in start-up grants to states. But if a state is unable—or unwilling—to run its own exchange, the federal government will establish an exchange in the state.

While many states are debating how to establish their own exchange, Louisiana last year became one of the first states to announce that it would cede that responsibility to the federal government.

Important Dates
While the exchanges won’t launch until 2014, there are a number of critical steps that must be taken in the interim to ensure that operations start on time. Here is a brief timeline:

- **Spring 2012**: Last legislative session to pass exchange-related laws before the federal government’s review of each state’s progress and readiness.
- **January 2013**: Deadline for the federal government to certify whether a state is prepared to set up an exchange or whether it requires a federally established exchange.
- **Spring 2013**: Last legislative session to pass legislation related to exchanges or any other aspect of health care reform prior to the implementation of many provisions in 2014.
- **October 2013**: Open enrollment begins, when individuals and small businesses can compare and shop for health insurance.
- **January 2014**: The “go live” date, when insurance coverage begins for all individuals and small businesses that are approved to receive coverage through the exchange.

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Policy Decisions
With open enrollment set to begin in October 2013 and a “go live” date of January 1, 2014, the clock is ticking. Between now and then lie several important decisions and milestones:

- Deciding how an exchange will be set up, including whether it will be part of the government or an independent agency or non-profit (federal);
- Establishing an easy-to-use online application portal and consumer hotline (federal);
- Setting up the technology and infrastructure needed to manage exchange applications and link people to coverage options (federal);
- Coordinating eligibility and enrollment for Medicaid, LaCHIP, premium tax credits, and health plan enrollment between the exchange and state Medicaid office (federal/state);
- Conducting consumer outreach and assistance programs to educate residents about the new coverage options available to them and their families (federal/state);
- Developing a process and criteria for selecting health insurance plans to be sold in the exchange (federal).

While many of the policy decisions concerning a federally-run exchange naturally lie with the federal government, there is still an important role for the state and other stakeholder groups. Local input and cooperation will be critical for a successful rollout. Responsibility for the above decisions could also change if the state decides to enter into a “partnership” agreement and retain control over certain functions instead of ceding full control of the exchange to the federal government.

What are the Implications of a Federally-run Exchange in Louisiana?
Although the federal government will be responsible for Louisiana’s exchange, the state will still be closely involved in the process. For example:

- The exchange will have to work with the Department of Health and Hospitals, which runs the Medicaid program, to make sure that people are directed to and enrolled in the correct health coverage option. The law says that if a Medicaid-eligible person tries to enroll in an exchange health plan, or vice versa, that they be seamlessly enrolled into the right program.
- Many new consumer protections and benefit rules will apply to all health plans, inside and outside the exchange. That means the federally-run exchange must work with the state Department of Insurance to ensure that a level playing field exists that encourages all health plans to compete on price and quality.

In addition to the need for federal and state government to work together, there is a role for a broad stakeholder community, including consumer advocacy groups, medical provider groups, small businesses and non-profits. The exchange has the potential to expand private insurance coverage and reduce costs for families and small businesses, but only if it is designed correctly. Public input, transparency, and consumer engagement will be crucial ingredients for success.

About the Louisiana Budget Project
The Louisiana Budget Project (LBP) provides independent, nonpartisan research and analysis of Louisiana fiscal issues and their impact on low income Louisiana families. We seek to bring wider prosperity to Louisiana though a deeper understanding of the state budget, broadening fiscal policy debates, and increasing public participation in decision-making. As part of the State Fiscal Analysis Initiative’s 42 state budget projects that are coordinated by the national Center on Budget and Policy Priorities, we uphold a commitment to issuing work that is Credible, Timely, and Accessible.

End Notes