

2012 Progress Report: States Are Implementing Health Reform

In the nearly two years since President Obama signed the Affordable Care Act into law, all States have taken some action to implement health reform. For example, [forty-four States](#) are participating in the new premium rate review system where insurers must justify the rationale for any double-digit insurance premium increase. And 28 States and the District of Columbia are on their way toward establishing their own Affordable Insurance Exchange – an essential component of the law.

Affordable Insurance Exchanges are one-stop marketplaces where consumers can choose a private health insurance plan that fits their health needs. Starting in 2014, they will offer to the public the same kinds of insurance choices members of Congress will have. Exchanges will select health plans qualified to offer coverage; facilitate consumer assistance, shopping and enrollment; and coordinate eligibility for the Exchange and potential premium assistance.

The Affordable Care Act gives States the resources and power to build and run their own Exchange. It offers States access to funding through Exchange “planning,” “establishment,” and “Early Innovator” grant programs. On [September 30, 2010](#), the Department of Health and Human Services (HHS) awarded \$49 million to 48 States and the District of Columbia to conduct planning activities (Minnesota was awarded a planning grant later). On [February 16, 2011](#), HHS awarded Early Innovator grants to six States and one multi-State consortium to get a head start developing the information technology (IT) needed for Exchanges. And HHS is, on a quarterly basis, awarding establishment grants to support the building of Exchanges. Three rounds of establishment grants have been awarded, with 28 States and the District of Columbia having received establishment grants as of [November 29, 2011](#). Additional States have applied for establishment grants in December, with awards to be made in mid-February.

This report summarizes the actions taken by States to establish Exchanges and focuses on examples of the legislation and executive actions, public meetings, and other activities undertaken by States across the country to create these new health insurance marketplaces. It profiles ten States that cut across the spectrum of geography, demographics, and political leadership. The States profiled are not necessarily the States most advanced in establishing an Exchange; instead, they illustrate the diversity of approaches and progress being made.

SNAPSHOT OF TEN STATES

Alabama: Governor Robert Bentley (R), a physician, issued an Executive Order that created the Alabama Health Insurance Exchange Study Commission on June 2, 2011. The Commission held five meetings and completed its [report](#) with recommendations on December 1, 2011. It recommended that Alabama establish its own Exchange called the “Alabama Health Insurance Marketplace,” which is to be governed by a quasi-public authority. Alabama received an Exchange establishment grant of \$8.6 million on [November 29](#) from HHS. The State also is participating in a technical assistance [program](#) run by the Robert Wood Johnson Foundation. The legislature, which meets in February, is expected to take up legislation to establish an Exchange.

What They Are Saying in Alabama:

“My inclination is to get something passed before this next regular session exits, so we have something in place. If we fail to do anything in 2012 session, that could be running up a white flag to the feds, saying 'Y'all take over.' I can't see that happening.”

State Rep. Jim McClendon (R), Co-Chairman of the Alabama Health Insurance Exchange Study Commission, [January 3, 2012](#)

“I still believe even if that bill had never been passed that this was something that we needed to look at... What we're trying to do here is set up an Alabama health insurance exchange so people in the state, regardless of where you are in life – whether you are a young mother or whether you are a college student or whether you are an elderly person with a preexisting disease – you will be able to purchase insurance.”

Governor Robert Bentley (R), [September 16, 2011](#)

Colorado: The State began working on a policy like an Exchange in 2006, with the appointment of a Blue Ribbon Commission for Health Care Reform whose members were jointly appointed by former Governor Bill Owens (R) and current Governor John Hickenlooper (D). In [2008](#), it recommended a “connector” like an Exchange. After the passage of the health reform law, the Governor, working with the State Legislature, began hosting public meetings about Exchange issues in the summer of 2010. Since early 2011, over 175 Coloradans, representing a cross-section of stakeholders, participated in [working groups](#) to prepare for the establishment of the Exchange. The State legislature passed a bipartisan bill to establish the independent Colorado Health Insurance Exchange, which was signed into law on [June 1, 2011](#). The Governor appointed a 12-member Exchange Board on [June 29, 2011](#). The State Legislature approved an executive director on [December 12, 2011](#) and the State application for \$18 million in grant support on [December 15, 2011](#). Like Alabama, Colorado is part of the Robert Wood Johnson Foundation technical assistance program.

The Exchange Board meets regularly, it has an information technology committee that is intensifying its work, and it has started public education about health reform and the Exchange at its website, www.getcoveredco.org. The website includes quick facts related the challenges in Colorado, frequently asked questions on the Exchange, and special links with information for individuals, small employers, and insurers and brokers. Organizations such as the Colorado branch of the National Federation of Independent Business (NFIB) and the Colorado Association of Commerce and Industry have been [active participants](#) in the creating the small business component of the Exchange. The Board will present its first annual report to the Governor, Senate Health and Human Services Committee, and House Health and Environment Committee in mid-January.

What They Are Saying in Colorado:

“This is what Colorado businesses need... For them, it's about price, competition, and clarity.”

Tony Gagliardi, State Director, Colorado National Federation of Independent Business, [November 4, 2011](#)

Idaho: Governor Butch Otter (R) has supported the State establishment of an Exchange. He vetoed legislation that would prohibit State Executive Offices from accepting Federal funds for Exchange planning in [April 2011](#). The State was awarded \$20.4 million on [November 29, 2011](#).

As part of its planning for the Exchange, the State conducted a number of public meetings. In [March and April of 2011](#), open sessions were held with businesses, providers and consumer advocates, insurers, producers, and the general public. The State established a website, www.healthexchange.idaho.gov, and created seven working groups on topics ranging from information technology to insurance market issues. In [December](#), the Department of Insurance also conducted a round of public meetings about the use of the new Exchange grant.

On January 1, 2012, as legislators prepared for their upcoming session in Idaho, Governor Otter urged the legislature to consider legislation to establish an exchange. On [January 6, 2012](#), a joint committee of the Idaho Legislature voted 11 to 1 to send the bill to the full Legislature.

What They Are Saying in Idaho:

“It’s a no-brainer.”

Rep. John Rusche (D- Nez Perce County), Idaho House Minority Leader, [January 6, 2012](#)

“I want to work with the Legislature to find Idaho solutions to Idaho’s health care issues and minimize the federal government’s footprint on how Idahoans obtain their health insurance. The fact that it could be June before the Supreme Court issues an opinion on constitutional challenges to Obamacare in no way diminishes the need for the Legislature to discuss the issue during its 2012 session.”

Governor Butch Otter, [January 1, 2012](#)

“The chamber supports a state exchange rather than a federal exchange so that Idaho can maintain authority over the state’s private health insurance market.”

Boise Metro Chamber of Commerce, [November 18, 2011](#)

Michigan: On [September 14, 2011](#), Governor Rick Snyder (R) announced his intent to create a State-based Exchange called MIHealth Marketplace. Consistent with recommendations from an Exchange Steering Committee, the Governor recommended that the Exchange be a non-profit organization, transparent, and focused on information technology and the consumer experience. The Senate [passed](#) bi-partisan exchange legislation in November, however the House failed to act. On November 29, the State was awarded \$9.8 million to establish its Exchange and is seeking the legislature’s authority to spend the funds.

The State has made considerable progress in operationalizing its Exchange regardless. Prior to the efforts to authorize the Exchange, the Department of Community Health convened five stakeholder working groups on topics such as governance, finance, and technology. In October, key leadership from five cabinet agencies collaborated in a formal Business Process Review to set up systems. It is actively participating in the technical assistance program supported by the Robert Wood Johnson Foundation.

What They Are Saying in Michigan:

“I strongly support establishing a Michigan-based on-line health insurance exchange that will emphasize free market principles and serve as a competitive marketplace for individuals and businesses to obtain health insurance, including some of our most vulnerable residents who are currently uninsured.”

Governor Rick Snyder (R), [September 14, 2011](#)

Minnesota: Previous Governor Tim Pawlenty (R) was one of only two governors who did not apply for an Exchange planning grant (Alaska used its own funding for Exchange planning). When Governor Mark Dayton (D) took office, he sought and received a planning grant in [February 2011](#). The State used this planning grant to assess needs, issue a request for proposals on an evaluation of IT infrastructure and options, and apply for a \$4.2 million establishment grant, which it received on [August 12, 2011](#). On [October 31, 2011](#), the Governor issued an Executive Order to direct the Commerce Commissioner to design and develop an Exchange.

The Commissioner appointed a Health Insurance Exchange Advisory Task Force, a cross-section of consumers, employers, labor, health care providers, insurers, and experts among others. The Task Force meets regularly to discuss recommendations from ten technical advisory groups (some of which will start in 2012). On December 5, Minnesota posted a [website](#) that has five different companies’ mock-up interactive websites for how an individual or small employer would access information, plan choices, and eligibility for the Exchange. Feedback is encouraged.

What They Are Saying in Minnesota:

“Federal health care reform offers an opportunity for Minnesota to seize the initiative and set our own course for how we want to reform health care.”

Governor Mark Dayton (D), [October 31, 2011](#)

“An Exchange as a model is innocent. Don't slam it because Obama-care adopted it. Is it possible that we could create an Exchange that would enhance consumer choice and a private marketplace and not be a government-command and control avenue? I think that is possible.”

State Rep. Steve Gottwalt (R), Chairman of the State House Health and Human Services Reform Committee, [November 4, 2011](#)

Mississippi: The State created a Mississippi Health Insurance Exchange Study Commission in 2010, and used its \$1 million [planning grant](#) to fund research and outreach. On April 26, 2011, then-Governor Haley Barbour (R) signed a law that allowed the Study Commission to continue its work through 2011. Mississippi held over a dozen [town hall meetings](#) to receive input on the design of the Exchange in the summer of 2011. It received a \$20.1 million Exchange establishment grant on [August 12, 2011](#). In total, Mississippi has received \$21.1 million to develop its Exchange.

After legislation authorizing an Exchange failed to pass, the State determined in October 2011 that the previously authorized non-profit high-risk pool association could broaden its mission to run the State’s Exchange. The high-risk pool association is finalizing a contract to build the

‘shop and compare’ piece of the Mississippi Exchange by March. Once built, Mississippi will use it to visually demonstrate what the Exchange will do for its citizens while simultaneously building the functional pieces it will ‘plug into’ its Exchange.

What They Are Saying in Mississippi:

“A healthcare exchange is not a partisan political issue. Across this nation, Republicans and Democrats alike have embraced the concept of health exchanges as a way to help individuals and small businesses more easily obtain health insurance.”

Mississippi Commissioner of Insurance Mike Chaney (R), [April 17, 2011](#)

Nevada: The Silver State Health Insurance Exchange was authorized through bipartisan legislation passed unanimously by both chambers of the Nevada Legislature and signed into law by Governor Brian Sandoval (R) on [June 16, 2011](#). It is an independent public agency not subject to the State’s regulatory rules. Its seven-member board was appointed on [September 23, 2011](#) and met for the first time on October 26, 2011. An executive director was named on [December 30, 2011](#). Its planning grant was used to produce an implementation and operational plan. The State received a \$4 million Exchange establishment grant on [August 12, 2011](#) and applied for additional funding in [December 2011](#).

What They Are Saying in Nevada:

“We must also plan for a Health Insurance Exchange so that we – and not the federal government – control the program. My budget includes funding to address these issues, and I have submitted legislation to address the operation and oversight of a Nevada Health Insurance Exchange.”

Governor Brian Sandoval, State of the State Address, [January 24, 2011](#)

New York: Governor Andrew Cuomo (D) is committed to running the New York Health Benefit Exchange, which would be a public benefit corporation managed by a Board of Directors. Authorizing legislation passed the State Assembly on [June 23, 2011](#) but has not yet received a vote in the Senate.

New York received a \$27.4 million Early Innovator Grant Award on [February 16, 2011](#) to develop the IT infrastructure for the Exchange. The State is currently reviewing competitive bids for a “systems integrator” to build the IT system. The State received a \$10.8 million establishment grant on [August 12, 2011](#). It submitted a request for an additional \$48.5 million on [December 30, 2011](#). The New York State Department of Insurance contracted with the Urban Institute to conduct simulation modeling work to estimate the cost and coverage impacts of health reform in New York and to provide projections of State-specific costs of operating and implementing the Exchange. New York continues to involve stakeholders through individual meetings to discuss their specific concerns and interests regarding the Exchange. More than 80 such meetings have taken place to date. A private survey released in [December 2011](#) found that 84 percent of New York’s small business owners describe an Exchange as a “good idea.”

What They Are Saying in New York:

“It’s very popular in the business — particularly the small business — community. I would like to see us move forward as a state.”

State Senator James Seward (R-51st District), Chairman, State Senate Insurance Committee, [January 9, 2012](#)

Pennsylvania: On [November 23, 2011](#), Governor Tom Corbett (R) announced his commitment to establishing a State-based Exchange. This step built on the input from three stakeholder forums and an online survey in August 2011 for individuals and small business owners. Pennsylvania [reports](#) receiving input from 814 residents and 204 business owners through this process. Pennsylvania used the majority of its Exchange planning grant to award a contract to a consulting firm to conduct extensive background research. This resulted in a [comprehensive analysis](#) of Exchange governance models, business operations, structure, plan management and financial management. The State has a no-cost extension on its planning grant and is using this time and money to research outreach assistance and other strategies.

What They Are Saying in Pennsylvania:

“After careful evaluation and stakeholder input, Pennsylvania has determined that developing a state-based health insurance exchange will work best for Pennsylvania residents.”

Statement, Pennsylvania State Department of Insurance, [November 23, 2011](#)

“It is akin to an Expedia-type function, where you go and you are looking for a particular trip and a hotel, and you can look at the different options and what you want to buy – and then you can make your choice and buy accordingly.”

Pamela Clarke, Vice President, Delaware Valley Healthcare Council, [November 23, 2011](#)

Rhode Island: In May 2010, the State’s Lieutenant Governor Elizabeth Roberts (D) established the [Healthy RI Implementation Task Force](#) to “be proactive in implementing the federal health reform law.” Within days of taking office in [2011](#), Governor Lincoln Chafee (I) signed an Executive Order creating the Rhode Island Healthcare Reform Commission to guide the development of an Exchange and implement other parts of the law. After legislation establishing an Exchange did not advance, the Governor signed an Executive Order on [September 19, 2011](#) establishing an Exchange along with appointments to an Exchange Board.

Rhode Island was awarded an Exchange establishment grant of \$5.2 million on May 23, 2011 and a level II (more advanced) award of \$58.5 million on [November 29, 2011](#) – the first State to receive this type of award. The State is part of the New England States Collaborative for Insurance Exchange Systems ([NESCIES](#)) project New England Early Innovator State award and is working with Massachusetts on IT solutions. It has launched a consumer-oriented website, <http://www.healthcare.ri.gov>, that includes information for individuals and families, small and large employers, and providers – as well as information on the State’s implementation of the law.

Rhode Island State is also working on a financing model that considers the cost savings of reuse or leveraging Exchange IT functions from other New England states. It is currently working closely with Massachusetts and Vermont to develop strategies around systems design reusability, joint procurement, and systems integration.

What They Are Saying in Rhode Island:

“Right now, we can’t wait.”

Lieutenant Governor Elizabeth Roberts (D), [September 19, 2011](#)

“I am extremely pleased with the progress we are making toward making accessible and affordable healthcare a reality for Rhode Island families and small businesses.”

Governor Lincoln Chafee (I), [November 29, 2011](#)

OTHER STATES

Two States, Massachusetts and Utah, had Exchange-like structures in place before the Affordable Care Act was enacted. Massachusetts passed comprehensive reforms in 2006 similar to the Affordable Care Act. Its [Health Insurance Connector](#) includes both Commonwealth Choice, an online system for signing up for a health plan, and Commonwealth Care, its premium assistance program. Combined with insurance reforms and the individual responsibility requirement, Massachusetts leads the nation in coverage, with [95 percent](#) of its residents insured. Massachusetts is preparing to align its program with the Affordable Care Act design (e.g., Massachusetts has focused recent its work on building an integrated IT system with other States through the [New England Collaborative for Insurance Exchange Systems](#), which received a \$35.6 million Early Innovators Grant for this work).

Utah would like to maintain its current Utah Health Exchange, a portal for purchasing insurance, www.exchange.utah.gov, with few changes. As such, State officials have been focused on the Federal guidance for Exchanges. After the release of State guidance that addressed some of the State’s concerns, the Lieutenant Governor Greg Bell (R) wrote in a statement on [December 1, 2011](#), “We are encouraged that Secretary Sebelius recognizes the critical role of the States and the value of not forcing a one-size-fits-all solution on us.”

With the start of 2012, new States have indicated an interest in establishing an Exchange. For example, on [January 10, 2012](#), the New Hampshire State Senate voted unanimously to set up a Health Insurance Exchange. State officials in Wyoming presented a tentative plan on [January 10, 2012](#) at a town hall meeting, and explained what an Exchange is: “It’s like a farmers’ market where you can squeeze the tomatoes and smell the cucumbers ... and compare the price and the quality. We do think an exchange will help people be better informed about insurance.” On [January 3, 2012](#), reports indicate that Alaska has undertaken planning even without an Exchange establishment grant. And [new reports](#) suggest that States like Ohio and Nebraska may move forward on State-based Exchanges this year.

The Administration has also proposed new options for States reluctant to establish their own Exchange. States can participate in a “[Partnership](#)” Exchange in which the State performs some but not all of the functions of an Exchange. For example, the State could opt to manage the participation of health insurance plans in the Exchange while HHS manages eligibility determinations and enrollment. It can oversee in-person consumer assistance, manage the program to provide direct help in signing people up for insurance, and conduct outreach and education – building on existing State systems and relationships. States can also use

establishment grants to test their systems for their Exchanges that start later than 2014 (States that do not run Exchanges in 2014 can be certified to run Exchanges for subsequent years).

Some States have already expressed interest in a Partnership Exchange. For example, in Arkansas, Governor Mike Beebe (D) whose legislature has blocked the establishment of a State-based Exchange announced in [December 2011](#) his intent to participate in a Partnership Exchange: “Insurance options are best modeled with local needs and perspectives in mind, and this partnership program will give Arkansas a voice in that process, even with the federal government in control of this exchange.” The State Insurance Commissioner announced that Arkansas applied for a \$7.5 million Exchange grant in [December 2011](#).

HHS is continuing to make investments in the development of a [Federally-facilitated Exchange](#) for States that opt to not create their own State-based Exchange. The Department has the capacity to ensure all Americans will be able to purchase insurance in an Exchange on January 1, 2014. Last July, HHS issued a request for proposals and this fall awarded contracts for IT, financial management (e.g., managing payments and collections, and program integrity), marketing, and State support. In collaboration with contractors, other agencies, and States, HHS has completed work on key IT and operational business processes and business requirements for the Federally-facilitated Exchange. The Department is also developing working groups with State insurance commissioners and other State officials to harmonize the rules and the systems in each State for the operation of their Exchange. HHS has begun to issue [guidance](#) about how a Federally-facilitated Exchange would function. Additional guidance will be issued in the coming months.

State Affordable Insurance Exchange Actions and Funding

State	Authority for Exchange	Exchange Planning Grant	Exchange Establishment	Exchange Innovator Grants	Total Exchange Grants
Alabama	EO for Study	\$1,000,000	\$8,592,139		\$9,592,139
Alaska					\$0
Arizona		\$999,670	\$29,877,427		\$30,877,097
Arkansas		\$1,000,000			\$1,000,000
California	Passed	\$1,000,000	\$39,421,383		\$40,421,383
Colorado	Passed	\$999,987			\$999,987
Connecticut	Passed	\$996,850	\$6,687,933		\$7,684,783
Delaware		\$1,000,000	\$3,400,096		\$4,400,096
District of Columbia	Passed	\$1,000,000	\$8,200,716		\$9,200,716
Florida		\$1,000,000	*		\$1,000,000
Georgia	EO for Study	\$1,000,000			\$1,000,000
Hawaii	Passed	\$1,000,000	\$14,440,144		\$15,440,144
Idaho		\$1,000,000	\$20,376,556		\$21,376,556
Illinois	Study bill	\$1,000,000	\$5,128,454		\$6,128,454
Indiana	EO	\$1,000,000	\$6,895,126		\$7,895,126
Iowa		\$1,000,000	\$7,753,662		\$8,753,662
Kansas		\$1,000,000		\$31,537,465	* \$32,537,465
Kentucky		\$1,000,000	\$7,670,803		\$8,670,803
Louisiana		\$998,416	*		\$998,416
Maine	Study bill	\$1,000,000	\$5,877,676		\$6,877,676
Maryland	Passed	\$999,227	\$27,186,749	\$6,227,454	\$34,413,430
Massachusetts	Pre-existing	\$1,000,000		\$35,591,333	*** \$36,591,333
Michigan	EO	\$999,772	\$9,849,305		\$10,849,077
Minnesota	Pre-existing	\$1,000,000	\$4,168,071		\$5,168,071
Mississippi	Pre-existing	\$1,000,000	\$20,143,618		\$21,143,618
Missouri		\$1,000,000	\$20,865,716		\$21,865,716
Montana		\$1,000,000			\$1,000,000
Nebraska		\$1,000,000	\$5,481,838		\$6,481,838
Nevada	Passed	\$1,000,000	\$4,045,076		\$5,045,076
New Hampshire		\$1,000,000			\$1,000,000
New Jersey		\$1,000,000			\$1,000,000
New Mexico		\$1,000,000	\$34,279,483		\$35,279,483
New York	Pending	\$1,000,000	\$10,774,898	\$27,431,432	\$39,206,330
North Carolina		\$1,000,000	\$12,396,019		\$13,396,019
North Dakota	Study bill	\$1,000,000			\$1,000,000
Ohio		\$1,000,000			\$1,000,000
Oklahoma		\$1,000,000		\$54,582,269	* \$55,582,269
Oregon	Passed	\$1,000,000	\$8,969,600	\$48,096,307	\$58,065,907
Pennsylvania		\$1,000,000			\$1,000,000
Rhode Island	EO	\$1,000,000	\$63,756,539	**	\$64,756,539
South Carolina	EO for Study	\$1,000,000			\$1,000,000
South Dakota		\$1,000,000			\$1,000,000
Tennessee		\$1,000,000	\$1,560,220		\$2,560,220
Texas		\$1,000,000			\$1,000,000
Utah	Pre-existing	\$1,000,000			\$1,000,000
Vermont	Passed	\$1,000,000	\$18,090,369		\$19,090,369
Virginia	Study bill	\$1,000,000			\$1,000,000
Washington	Passed	\$996,285	\$22,942,671		\$23,938,956
West Virginia	Passed	\$1,000,000	\$9,667,694		\$10,667,694
Wisconsin		\$999,873		\$37,757,266	\$38,757,139
Wyoming		\$800,000			\$800,000
Total		\$49,790,080	\$438,499,981	\$241,223,526	\$729,513,587

* Governor subsequently stated that the grant would not be used.

** Rhode Island is the first State to receive a Level II grant which is larger because it encompasses more functions.

*** Massachusetts is the grantee for a coalition of New England States.

Source: Grants described in fact sheets at www.cciio.cms.gov, dated 9-29-10, 2-16-11, 8-12-11, 11-29-11.