On December 12, 2012, Secretary of Health and Human Services (HHS) Kathleen Sebelius mused in her blog on the progress made by health plans toward the establishment of the health insurance exchanges, which will open the world of health insurance to many currently uninsured, as well as insured, Americans. States can choose to establish their own exchange, enter into a state-federal partnership, or default to an exchange that will be set up and run by the federal government, under the auspices of the HHS Secretary.

The Progress

“Ten months from today, Americans in every state can begin to choose health insurance in new state marketplaces where they will have access to affordable care. Many will have never had health insurance, or had been forced to make the decision to go without insurance after losing a job or becoming sick,” HHS Secretary Sebelius wrote in December. “Today, we’re announcing that six states who applied early have made enough progress setting up their own marketplaces or Exchanges that we are ready to conditionally approve their plans—meaning they are on track to meet all Exchanges deadlines. These...states include: Colorado, Connecticut, Massachusetts, Maryland, Oregon, and Washington.”

That was 2 months ago. Now, early in February 2013, a total of 18 states (including the District of Columbia) have received conditional approval to establish a state exchange, and 7 are planning state-federal partnership exchanges; the balance of 26 states will default to the federal exchange, unless they manage to submit a plan by the imminent deadline.

The deadline to submit a plan for a state or a state-federal partnership exchange is February 15, 2013, with open enrollment starting on October 1, 2013, and coverage beginning on January 1, 2014.

The 12 states that have joined the original 6 states in planning to establish a state exchange are California, Connecticut, Hawaii, Idaho, Kentucky, Minnesota, New Mexico, New York, Rhode Island, Utah, Vermont, and Washington, DC.

Why Establish an Exchange?

Why establish a health insurance exchange? Despite the considerable efforts and logistics involved in fulfilling the demands required to establish an exchange, it is generally accepted that health plans are poised to benefit financially from participation in the exchanges, with approximately 29 million to 30 million uninsured Americans anticipated to buy health insurance through these exchanges, to the tune of $205 billion by 2021, according to one analysis.

Last year, WellPoint, one of the largest health plans in the country, reportedly allotted at least $50 million to enhance its “brand” in preparation for the exchanges, and it is expected to spend as much this year. The explanation for such spending by one of the best-recognized health insurance companies, according to WellPoint, is that the company “expects the future purchase of health insurance to function more like online retailing than even before, where brand name, along with price and convenience, win the day.”

WellPoint’s Chief Financial Officer Wayne DeVeydt explained it this way last year, “As you think about 2014, you’re going to have to market in a more retail environment, something that this industry hasn’t had to do historically, and branding is going to become more relevant.”

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If WellPoint’s predictions materialize, the exchanges may inherently change the face of health insurance into something new. Only time will tell. However, even
with the potential for considerable financial gains for health plans and gain of access for patients, the logistics of establishing the exchanges on such a large scale present challenges for all stakeholders.

**The Setbacks**

There is no doubt that such a large undertaking is more complex than might have first appeared even to those who wrote the law. On January 24, 2013, federal regulators have announced the delay of one of the Affordable Care Act (ACA)'s requirements—that employers notify their employees by March 1, 2013, about the availability of health insurance exchanges that are to be open to people insured in their state. The expectation now is that employees will be given notifications by their employers sometime during the summer, just in time for the October 1 open enrollment date. The reason cited for the delay was the need to give employers more time to appropriately coordinate with the exchanges.

On February 8, 2013, Mississippi became the first state to have its health exchange plan rejected by the HHS, citing Governor Phil Bryant’s opposition to the health insurance exchange plan as the reason for this development.

Nevertheless, the HHS and other federal regulators are confident that the deadlines will be met. “We are committed to a smooth implementation process, including providing employers with sufficient time to comply and selecting an applicability date that ensures that employees receive the information at a meaningful time,” they said. On February 8, 2013, Mississippi became the first state to have its health exchange plan rejected by the HHS, citing Governor Phil Bryant’s opposition to the health insurance exchange plan as the reason for this development.

Politics may indeed be the reason for this development. “Mississippi Insurance Commissioner Mike Chaney, a Republican, had waged a bitter battle with Governor Phil Bryant and other fellow party leaders in his state over implementing a state-run health insurance exchange,” which is being seen as an issue that promotes the Democratic Party and the president’s healthcare reform platform. Governor Bryant opposes the idea of a state-based health insurance exchange, which he sees as an act of embracing the ACA, believing that it “will shackle the state with debt related to inflated Medicaid rolls.”

The HHS Secretary said that she considered Mississippi “an excellent candidate” for a state-federal partnership exchange.

**Moving Forward**

As we move closer to the various time points in the road toward establishing the exchanges, more progress and some setbacks can be expected, but for now at least, the majority of the states are moving forward, in one fashion or another, with plans in place to address the ACA’s requirement of health insurance exchanges. The potential for billions of dollars in saving for health plans can only mean good things for members and patients.

**References**