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State near decision on health coverage exchange

By Lawrence Messina

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— CHARLESTON — West Virginia officials expect to partner with the federal government to operate a new insurance marketplace called for by the federal health care overhaul, but say their choice appears limited by projected costs, tight timing and questions left unanswered by the Obama administration.

A state-federal partnership is one of three options for running this marketplace, known as an exchange. In each state, an exchange would aim to unite the buying power of individuals, families and small businesses as they select from coverage plans offered by private insurance companies. The federal law would also help many consumers pay premiums.

States had faced a Friday deadline for telling the U.S. Department of Health and Human Services how they planned to proceed, but federal officials gave them another month to decide. At least 16 states and the District of Columbia have already announced they want to operate the exchanges themselves. Another 15 want no role and will leave it to the federal government to handle exchanges in their states.

While its officials continue to crunch numbers and review options, West Virginia appears likely to join neighboring Ohio and six other states in building an exchange partly with federal help.

"It's fair to say, based on everything we know, that we're likely to head in the direction of a partnership," Rob Alsop, chief of staff to Gov. Earl Ray Tomblin, told The Associated Press on Friday.

West Virginia's eventual decision hinges on the relatively small size of its expected exchange. The insurance commissioner's office has estimated that between 37,000 and 60,000 people would seek coverage through this new marketplace. The exchange would have to spread among its policyholders hefty costs from staff, call centers, a complex computer system and other operational needs.

"It's a myriad of administrative functions that when you have relatively few people participating, you have what looks like a very high-cost product," said Revenue Secretary Charles Lorenson, whose Cabinet department oversees the insurance agency. "Those costs have to be borne by the exchange. It has to be sustainable."

Alsop said estimates have projected an annual price tag of between \$15 million and \$17 million. Officials have all but concluded that West Virginia cannot afford to run the exchange by itself. The federal government, meanwhile, can likely help because it will be creating the same sort of operational network in multiple states, Alsop said.

But he and other officials noted a recurring complaint: the lack of sufficient details and guidance from Washington.

"Right now, we're making a decision based on what we know our costs would be as a state, and it seems to be burdensome upon our consumers," said state Insurance Commissioner Michael Rilev. "Logic would tell us that the feds would be able to offer this at a lower cost because of economies of scale, but we still await that answer."

A leading advocate of the federal law is urging the state to handle the other key exchange component: consumer engagement.

Perry Brvant, executive director of West Virginians for Affordable Health Care, believes the exchange's success rests on the state promoting the new marketplace and then helping people and small employers pick the best coverage.

"It's public education," Brvant said. "This is complicated stuff, with premiums and copays and deductibles, and some of these people may have never had insurance."

Bryant cited how well the state has enrolled those eligible for its Children's Health Insurance Program, which covers more than 25,100 youths. He contrasted that with the special insurance pool for people otherwise denied coverage because of pre-existing provisions. Washington runs that pool for the state, and Bryant estimated it has fewer than 150 enrollees.

"The federal government has done a miserable job," Bryant said. "Why would we want them to do the consumer engagement piece?"

Bryant agrees that West Virginia cannot run an exchange by itself, but also views that as a missed opportunity. The state could have pursued a federal grant to help it build and operate the marketplace, he noted. But time has run out: Exchanges must begin enrolling people for coverage next October, and the policies will take effect in January 2014.

At least some health insurers see value in a state-federal partnership, said Jane Cline, West Virginia's longtime former insurance commissioner. Her agency studied the exchange model before the federal overhaul, which passed in 2010 while Cline was president of the National Association of Insurance Commissioners.

"Some of the health insurers we work with believe that the federal government does have some offerings," said Cline, who is now public policy director for the Spilman, Thomas & Battle law firm. "I think it's prudent to evaluate all of the options, and that's what the governor appears to be doing."

Both Bryant and Cline credited Jeremiah Samples, an insurance commission official, with aiding that review. Among other tasks, Samples helped develop the enrollment and cost estimates. He's also held regular meetings with insurers, agents, medical providers and consumer advocates to keep them all in the loop.

"We're in a tough situation, because we're trying to convey, to tell our stakeholders information based on, really, assumptions about" the federal law, Samples said. "The burden, at this point, is on the federal government to get this information to states, and West Virginia is not unique in this."