State Progress Toward Health Reform Implementation: Slower Moving States Have Much to Gain

Timely Analysis of Immediate Health Policy Issues

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In Summary

1. Progress on health reform implementation varies considerably by state, particularly with regards to steps taken toward establishing a state health insurance exchange, the vehicle that will drive some of an expected nationwide decrease in the uninsured of nearly 24 million individuals.
2. In assessing progress, the Urban Institute divided states into three groups—ranging from those that have already made legislative progress toward enacting a health insurance exchange, to those that have made the least progress to date.
3. States that have made the least progress toward health care reform implementation actually have the most to gain—the largest percent and percentage point declines in their uninsurance rates.

Background

The Affordable Care Act (ACA) calls for the development of health insurance exchanges, designed to create markets in which small businesses and individuals in every state will be able to purchase affordable health insurance. States have until January 1, 2014 to implement a health insurance exchange, but the law requires that they demonstrate significant progress by January 2013.

Among ACA's coverage-related provisions, one requirement over which states have the greatest control is the establishment of state health insurance exchanges. Establishing an exchange is mandatory, but a state can choose to either operate its own, let the federal government run one for them, or enter into a state/federal partnership.

Overall, ACA could decrease the number of nonelderly uninsured by nearly 24 million—from 50.3 million to 26.2 million—representing a decrease of 48 percent. In addition to new insurance options available through exchanges, many currently uninsured individuals will be covered by an expansion of the Medicaid program.

States That Have Made the Least Progress Have the Most to Gain:

Every state, as well as the District of Columbia, was categorized into one of three groups: 1) states that have already passed state legislation, or have a governor who has established an exchange by issuing an executive order; 2) states that have demonstrated significant interest in establishing an exchange by passing intent legislation, having legislation pending, or having recieved a Level 1 federal establishment grant; and 3) states that have made little or no progress, and have seemingly decided to allow the federal government to establish an exchange in their state.

Group 1 includes 14 states plus the District of Columbia that have already made legislative progress toward enacting an exchange. They include: California, Colorado, Connecticut, Hawaii, Indiana, Maryland, Massachusetts, Nevada, Oregon, Rhode Island, Utah, Vermont, Washington and West Virginia. Group 2 includes 21 states that have otherwise demonstrated significant interest in establishing an exchange by passing intent legislation, having legislation pending, or having received a Level 1 federal establishment grant. Group 2 includes: Alabama, Arizona, Delaware, Idaho, Illinois, Iowa, Kentucky, Maine, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Jersey, New Mexico, New York, North Carolina, Pennsylvania, Tennessee, Virginia and Wisconsin. Group 3 includes 15 states that do not meet either the Group 1 or 2 criteria—having made little or no progress in the two years since ACA was passed. They include: Alaska, Arkansas, Florida, Georgia, Kansas, Louisiana, Montana, New Hampshire, North Dakota, Ohio, Oklahoma, South Carolina, South Dakota, Texas and Wyoming.

- ***On average, states that have made the least progress toward ACA implementation are likely to see the greatest gain in their coverage rates.*** The Group 3 states have a higher baseline uninsurance rate on average, and are likely to see the percentage of residents without health insurance cut by half or more due primarily to expansions in Medicaid and subsidies to purchase insurance through exchanges.
- ***Group 3 states could see enrollment in public programs, including Medicaid and the Children's Health Insurance Program, or CHIP, increase by more than 50 percent.*** In comparison, increases are expected to be approximately 30 percent in Group 1 and 2 states.
- ***Group 3 states will also receive the most federal subsidy dollars per capita.*** This report shows that, on average, these states have a higher share of their population receiving subsidies, and have higher subsidies per capita relative to states that are further along in the implementation process. These states will also see the largest percentage drop in uncompensated care spending on the uninsured, from $24.5 billion to $10.1 billion, or 59 percent.

Coverage Expansion Will Occur In Group 3 States, But It May Not Be Optimal:

The fact that Group 3 states have not yet made substantial progress in developing exchanges does not mean that individuals and families living in the Group 3 states will not benefit from health reform. Many residents of Group 3 states will benefit from the Medicaid expansion with or without an exchange, but a functioning exchange is still important, because it will facilitate eligibility determination and enrollment across a variety of coverage types. Additionally, under ACA, the federal government will establish exchanges if states fail to do so. However, this assumes that sufficient federal financial resources and political support are available to effectively operate federally operated exchanges.

For more information, read the full report funded by the Robert Wood Johnson Foundation and prepared by researchers at the Urban Institute.

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