



Written by [Michael Tennant](#) on June 22, 2015

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## Inside Track

### Cash-strapped State ObamaCare Exchanges Considering Mergers



State ObamaCare exchanges are fast running out of cash because of higher-than-expected costs and lower-than-expected enrollment. In an attempt to keep their heads above water, many exchanges are considering combining some of their operations with those of other states — a tactic that may prove as difficult as setting up the exchanges in the first place and that raises the specter of fully nationalized health insurance.

The Obama administration, under the terms of the Affordable Care Act (ACA), disbursed about \$5 billion in subsidies to states to get their exchanges up and running. After that, the exchanges were supposed to be self-sufficient. The law set a deadline of the end of 2015 for that to occur; but the administration, as is its wont, pushed that deadline back a year when it became clear that the exchanges couldn't meet it.

According to the [Washington Post](#), about half the exchanges are financially troubled. Vermont's exchange, for example, is expected to cost \$200 million to run this year; California's is facing an \$80 million deficit. Some exchanges, such as Oregon's, have already folded; [Hawaii's](#) is close to doing so. Others, such as Nevada's and New Mexico's, are still officially operating but relying on Healthcare.gov to enroll their residents. Still others are trying to stave off the inevitable by raising fees on exchange plans and cutting other services.

"What is happening is states are figuring out the money is running out," Jim Wadleigh, the director of Connecticut's exchange, told [The Hill](#). Wadleigh "said he has been in conversations with many states — some using the federal exchange and some running their own exchanges — about possible partnerships," the paper reported.

Why would states using the federal exchange be thinking of hooking up with Connecticut? The Supreme Court, in the case of *King v. Burwell*, is expected to rule shortly on whether people buying insurance on the federal exchange are eligible for subsidies. If the court decides they aren't, those states currently using Healthcare.gov will suddenly have a strong incentive to establish their own exchanges, and they won't want to wind up in the same boat as Vermont and California.

The move toward exchange mergers is "absolutely being driven by the court case," Joel Ario, former director of the federal Office of Health Insurance Exchanges, told [The Hill](#).

States using Healthcare.gov are currently drafting contingency plans in the event that the Supreme Court strikes down subsidies on the federal exchange.



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“In the last seven business days,” Wadleigh told the newspaper, “I’ve probably had seven to 10 states contact me about contingency plans.” (He declined to name the states, citing possible “political backlash.”)

Wadleigh’s office is already in talks with officials from Vermont and Rhode Island about possible collaboration. The directors of all state marketplaces have met once, in Denver, to discuss potential service sharing, and they will be meeting again in July under the auspices of the Centers for Medicare and Medicaid Services (CMS).

Still, it’s hard to tell what will come of all these talks. “By most accounts,” noted *The Hill*, “creating a multi-state marketplace would be a logistical nightmare.

It’s unlikely that states could ever merge the full responsibilities of a marketplace, such as regulating plans and managing risk pools.

But even with a simpler model, like a shared call center or website platform, there are big questions about how states could share those costs and duties.

Jennifer Tolbert, a state health expert with the Kaiser Family Foundation, said “one of the trickiest issues” would be determining a governing structure for multi-state exchanges.

“I don’t know how that would be resolved,” she said.

These hurdles have been big enough to thwart multiple states from moving forward with their plans. Delaware, Maryland and West Virginia, which commissioned a study on the option in June 2013, have all dropped the idea.

At best, it appears that states might be able to share some technology — “the biggest cost item and the biggest barrier for states to set up their own exchanges,” according to the paper — or call centers. This won’t work for states that used federal dollars to build their websites or establish their call centers, though, because they aren’t allowed to share such things. That leaves primarily those states currently using the federal exchange, and their desire to open their own exchanges will be largely contingent upon the upcoming Supreme Court decision.

“I think if *King* goes against the government, there will be a flurry of activity,” Ario told *The Hill*. “Otherwise, it will be more of a gradual transition.”

Even if sharing some services could reduce each state’s overall costs, would that be sufficient to save the exchanges? Seton Motley, founder and president of Less Government, is skeptical. “Multiple people who can’t swim desperately clutching at one another,” he [wrote](#), “just means they’ll all sink together.”

High costs, after all, aren’t the sole reason the exchanges are foundering. Just as big a problem is the fact that no one wants what they’re selling. According to a recent study by healthcare consulting firm Avalere Health, state exchange enrollment, already tepid in 2014, increased by just 12 percent for 2015, considerably lower than the federal exchange’s 61-percent growth. Vermont and Washington actually enrolled *fewer* people this year than last year. Since most exchanges derive their operating income from fees on the health plans they sell, if few people are buying, the exchanges aren’t going to be able to pay their bills.

*The Hill* also pointed out a political problem in merging exchanges: “The state-based exchanges were included in the Affordable Care Act to calm fears that the law would lead to a new, national system for



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obtaining insurance similar to a ‘public option.’” Combining exchanges would strip this fig leaf from the ACA, making it clear that it really is a federal takeover of the healthcare system.

That is what many ObamaCare backers, including [the president himself](#), have desired all along. Thus, it comes as no surprise that the CEO of Healthcare.gov is encouraging states to share “best practices” and CMS officials have, according to Wadleigh, been “very supportive” of his discussions with other states, including the possibility of multi-state partnerships.

Combining state exchanges, if it is even possible, is unlikely to save them. But it could hasten the day when Washington takes complete control of Americans’ healthcare, and that is reason enough to oppose it — and the rest of ObamaCare.



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