

From: Murrell Smith <murrell@leeandmoise.com>
To: Veldran, KatherineKatherineVeldran@gov.sc.gov
Keck, Anthonykeck@scdhhs.gov
Date: 5/4/2014 12:16:47 PM
Subject: Fwd: R.I.'s overhead costs of Obamacare

Good article on why the Governor was right not to set up a ACA State exchange.

Sent from my iPad

Begin forwarded message:

From: Alexander Group News <news@alexandergroupco.com>
Date: May 4, 2014 at 12:01:00 PM EDT
To: news@alexandergroupco.com
Subject: R.I.'s overhead costs of Obamacare

PROVIDENCE JOURNAL

R.I.'s overhead costs of Obamacare

May 04, 2014 01:00 AM

BY GARY D. ALEXANDER

Even before the legislation was signed, sealed, and delivered in 2010, the Affordable Care Act generated controversy all over the country, and it has generated more since it fully kicked into gear last fall. But overlooked by critics and supporters alike is the little stuff: how much it actually costs to run the new system, especially at the state level.

Rhode Island has not only signed on to an ACA-style expansion of Medicaid but also will be spending, according to the governor's 2015 budget, \$23 million annually to operate and maintain HealthSourceRI, the state-based insurance exchange. That's not \$23 million to help low-income residents purchase health insurance; it's \$23 million in overhead

that would have been unnecessary had the Ocean State decided, as 27 states have done, to rely on the federal exchange. These other states use the federal portal and pay nothing.

Now, \$23 million is a lot of money for a small state like Rhode Island. It's more than we spend to run the Division of Motor Vehicles, three times what the state budget appropriates for public libraries, and twice the amount needed to pay this year's installment of the 38 Studios bonds. If returned to our cities and towns, that \$23 million would increase total local aid by 20 percent. That amount could also be allocated to reduce property taxes or the sales tax or buy a new computer system for the DMV. Or reduce by almost a sixth the projected \$151 million 2016 budget shortfall.

In short, there are far better ways to spend \$23 million — but spending it on a state exchange when the federal Obamacare website performs exactly the same function is not one of them. Or when the vast majority of HealthSourceRI patrons are using the exchange to enroll in Medicaid when the state already has an eligibility system in place to process Medicaid applicants.

Because the federal government has picked up the tab for all ACA-related spending in the early years, advocates contend that creating the state exchange didn't cost the state a dime, but in fact represented new money for the state that we would have otherwise forgone. For sure, the U.S. Department of Health and Human Services and its Centers for Medicare and Medicaid have been fronting the dollars to build the websites and run the technical back room, as well as funnel subsidies to participants. But beginning this December, the federal dollars for running Rhode Island's insurance exchange run out. HealthSourceRI promises that some of that funding may be extended, but that sounds a lot like President Obama's discredited claim that "if you like your health-care plan, you can keep it."

The governor's budget paints an even starker picture, requesting \$48 million to run HealthSourceRI and related projects. Yet the spending does not end there. One related initiative, the Unified Health Infrastructure Project, is projected to cost more than \$51.3 million in state money between now and 2020. So, there are large hidden costs remaining, even after counting the \$23 million-plus-a-year to keep HealthSourceRI running.

The cost differential is stunning: The state House of Representatives' fiscal office analysis shows that at an enrollment of 70,000 (we're at fewer than 30,000 currently), annual administrative costs per person would be \$343. If the current mix of HealthSourceRI policies were issued via the federal exchange, it would cost just \$186, or 46 percent less — nearly half the price.

The beauty of shifting from HealthSourceRI to the federal exchange is that nothing changes. Consumers in Rhode Island would still be able to shop for and obtain health insurance. Eligible applicants would still receive the federal subsidy if they qualify. And consumers would retain the same access to consumer information and customer service.

So little would change that even the website landing page would remain remarkably similar. Oregon is the most recent state to figure this out, as 27 other states had done earlier. The one big difference is cost to local taxpayers — and here, between HealthSourceRI and UHIP, Rhode Island would save \$30 million in hard-earned tax dollars in the process. That's real money. Saving it by opting for the federal exchange represents a commonsense bargain that the Anchor of Hope shouldn't pass up.

Gary D. Alexander served as Rhode Island's secretary of Health and Human Services and director of Human Services from 2006 to 2011.