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State-Based Marketplaces Look for Financing Stability in Shifting Landscape

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Toplines

[\(#\)](#) **State-based marketplaces now have to raise their own revenue for operations**

[\(#\)](#) **Predicting marketplace revenue is challenging because of fluctuations in enrollment & premiums**

Over the past few months, state-based health insurance marketplaces have navigated a largely successful (<http://www.hhs.gov/news/press/2015pres/03/20150310a.html>) second open enrollment period and a mostly uneventful (<http://cms.gov/Newsroom/MediaReleaseDatabase/Press-releases/2015-Press-releases-items/2015-04-01.html>) first tax season for marketplace consumers. Yet state-based marketplaces continue to face important decisions, such as determining the size of their operating budgets and how to finance them.

Since the fall of 2010, state-based marketplaces have received approximately \$4.3 billion (<http://kff.org/health-reform/state-indicator/total-exchange-grants/>) in establishment funds under the Affordable Care Act. These grants were limited-time offers; as of January 1, 2015, no new funds

Of the state-based marketplaces reevaluating their approaches to financing, some are turning to state appropriations to help bridge the gap. Rhode Island's marketplace has requested \$6.2 million (http://www.budget.ri.gov/Documents/CurrentFY/BudgetVolumeI/1_DepartmentOfAdministration.pdf) in state funding for the upcoming fiscal year. State officials there also proposed a number of strategies (<https://s3.amazonaws.com/s3.documentcloud.org/documents/1364492/final-fy-2016-hsri-budget-transmission-1.pdf>) for the marketplace to raise its own revenue, including a broad-based assessment currently pending in the governor's budget (<http://www.governor.ri.gov/budget/>) and proposed legislation (<http://webserver.rilin.state.ri.us/BillText15/HouseText15/Article-028.pdf>).

However, the state budget process involves its own complex politics and tradeoffs. For example, marketplace officials in Washington State have tentatively raised the per-member-per-month assessment (http://wahbexchange.org/files/9614/2911/5992/OC_Budget_Update_-_April_2015.pdf) as the state legislature debates reallocating the revenue raised from Washington's 2 percent assessment to budget items apart from the marketplace. In Hawaii, the legislature granted (<http://www.bizjournals.com/pacific/news/2015/05/05/legislature-approves-2m-for-hawaii-health.html>) the marketplace \$2 million in supplemental funds, \$8 million less than they had requested. As a result, the board approved a contingency plan (http://www.hawaiihealthconnector.com/wp-content/uploads/2015/05/150508-PublicAgenda_15_4_29.pdf) to transfer operations to the federal government, subject to federal approval.

General Operating Costs Remain Undetermined for Nascent Marketplaces

Marketplace costs are also hard to forecast. During the most recent open enrollment period, marketplace officials in Colorado (<http://connectforhealthco.com/wp-content/uploads/2013/04/February-Service-Center-Budget-Update-Feb-2015.pdf>) requested an additional \$2.8 million to handle call center volume while Minnesota (<https://www.mnsure.org/images/bd-2015-01-28-MNsure-annual-operating-budget-comparison.pdf>) plans to spend more on outreach and enrollment than initially proposed.

Information technology has been another source of uncertainty. Marketplaces in Colorado (<http://connectforhealthco.com/wp-content/uploads/2013/04/20150112-Agenda.pdf>) and Massachusetts (<http://bit.ly/1CgwLOB>) have had to spend more money than planned to address technical issues. Meanwhile, Maryland (<http://thedailyrecord.com/2015/02/18/maryland-working-on-legal-action-on-health-exchange-problems/>) and Hawaii (<http://www.govtech.com/state/Hawaii->

California	Assessment only on plans offered through the marketplace	\$13.95 PMPM	\$13.95 PMPM	
Colorado¹	Broad-based assessment on plans inside and outside of the marketplace	1.4% plus \$1.80 PMPM broad-based fee	1.4% plus \$1.25 PMPM broad-based fee	The board is considering a range of options to increase its assessment and PMPM fee
Connecticut	Broad-based assessment on plans inside and outside of the marketplace	1.35%	1.35%	
District of Columbia²	Broad-based assessment on plans inside and outside of the marketplace	—	1%	
Hawaii	Assessment only on plans offered through the marketplace	2%	2%	The marketplace has asked the board to approve an increase in the issuer fee to 3.5%, effective July 1, 2015, though a contingency plan to transfer operations to the federal government is pending approval
Idaho	Assessment only on plans offered through the marketplace	1.5%	1.5%	The marketplace is raising the premium assessment to 1.99%
Kentucky*	Broad-based assessment on plans inside and outside of the marketplace	1%	1%	
Maryland*	Broad-based assessment on plans inside and outside of the marketplace	2%	2%	
Massachusetts³	Assessment only on plans offered through the marketplace	—	2.5%	
Minnesota	Assessment only on plans offered through the marketplace	1.5%	3.5%	
Nevada	Assessment only on plans offered through the marketplace	\$4.95 PMPM	\$13 PMPM	Adopted a 3% fee on the presubsidized premium for QHPs

the approval of the state legislature.

⁹ Washington instituted an additional \$4.19 PMPM assessment on marketplace carriers to supplement its share of the state's existing 2% premium tax.

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