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To: Interested Parties

From: Jay Angoff

Re: Cost-per-enrollee in each state's Exchange

Date: May 7, 2014

On May 1, HHS released a report on the number of people enrolling in the Exchanges during the first open enrollment period, which ended March 31, 2014.¹ HHS has also published data on the amount that has been spent on establishing Exchanges: both grants HHS has made to states--both to those that have established their own Exchanges and those that have not--and funds HHS has used to establish the federally-run Exchange. That data has been compiled by the Congressional Research Service.² Fourteen states plus the District of Columbia have established their own Exchanges, while the federal government operates the Exchange in the other 36 states.

By combining the HHS data on enrollment through the Exchanges through March 31, 2014 with the HHS data on Exchange funding through March 31, 2014, the attached chart calculates a cost-per-enrollee for each state's Exchange. Among other things, the chart indicates the following:

* The total spent on all the Exchanges was \$7.394 billion. The total spent on the Exchanges in the 15 jurisdictions operating their own Exchanges was \$3.869 billion, while the total spent on the Exchanges in the 36 states in which the federal government operates the Exchange was \$3.524 billion.

* The average cost-per-enrollee for all 50 states plus DC was \$922. For the 15 jurisdictions running their own Exchanges it was \$1,503, while for 36 states in which the federal government operates the Exchange it was \$647. Cost-per-enrollee in states running their own

¹ HHS Office of the Assistant Secretary for Planning and Evaluation, ASPE Issue Brief, *Health Insurance Marketplace: Summary Enrollment Report for the Initial Annual Open enrollment Period*, May 1, 2014.

² Congressional Research Service, *Federal Funding for Health Insurance Exchanges*, March 28, 2014.

Exchanges was thus 2.3 times as much as the cost-per-enrollee in the 36 states in which the federal government runs the Exchange.

* There was a very large variation in cost-per-enrollee among the Exchanges. Of the 15 state-run Exchanges, the state with the lowest cost-per-enrollee was California, at \$758, while the state with the highest cost-per-enrollee was Hawaii, at \$23,899. Excluding Hawaii and the District of Columbia, which were outliers, the state Exchange with the highest cost-per-enrollee was Massachusetts, at \$5,681. Hawaii's cost-per-enrollee was 32 times California's, while Massachusetts's was 7 times California's.

* The state with the highest cost-per-enrollee of the 36 federally-operated Exchange states, based on allocating 1/36 of federal Exchange spending to each state,³ was North Dakota, at \$7,089. The state with the lowest cost-per-enrollee was Florida, at \$76. North Dakota's cost-per-enrollee was 93 times that of Florida's.

* Among the 15 state-run Exchanges, only one--California's--had a cost-per-enrollee of less than \$1,000. Among the 36 federally-run Exchanges, on the other hand, 18--50%--had a cost-per-enrollee of less than that amount.

* The five states with the lowest cost-per-enrollee are all states whose governors and/or legislatures have resisted the ACA, and whose Attorneys-General challenged the constitutionality of the ACA. They are as follows:

<u>State</u>	<u>Cost-per-enrollee</u>
Florida	\$ 76
Texas	\$ 102
Georgia	\$ 240
Virginia	\$ 376
Michigan	\$ 427

* The five jurisdictions with the highest cost-per-enrollee include three whose elected leaders support the ACA and two that oppose it. Those five are as follows:

<u>State</u>	<u>Cost-per-enrollee</u>
Hawaii	\$23,899
District of Columbia	\$12,467
North Dakota	\$ 7,089
Delaware	\$ 6,825
Wyoming	\$ 6,323

³ Administrative costs are allocated 1/36 to each of the 36 states, regardless of population, because the technology necessary to operate the Exchange is substantially similar in each state regardless of its population. To the extent that non-technology costs are higher in larger states, this allocation overstates cost-per-enrollee in smaller states and understates it in larger states.

The common denominator among these five jurisdictions is that they are very small--all with populations of less than 1.4 million--and thus must spread the fixed costs of the Exchange over a very small base. Nevertheless, Hawaii and DC, which run their own Exchanges, had costs-per-enrollee that were far higher than those in any of the federally-run small states--almost twice as high in DC, and more than three times as high in Hawaii.

* Among the conclusions that can reasonably be drawn from the combined Exchange-enrollment/Exchange-funding data are the following:

- Because the federal Exchange costs so much less per-enrollee than the state Exchanges, the more states in which the federal Exchange operates, the more money taxpayers save.

- For the same reason, state officials refusing to establish their own Exchanges appear to have unwittingly contributed to the efficient implementation of the Exchange in their states.

- Much of the money going to state-run Exchanges has not been well-spent. HHS may therefore wish to focus not on making additional Exchange grants to states, but rather on continuing to upgrade the federal Exchange, which will continue to operate in the large majority of states, and which provides substantially greater value to taxpayers than do the state-run Exchanges.

82,747	\$	253,167,439	\$	-	\$	253,167,439
67,757	\$	171,063,110	\$	-	\$	171,063,110
31,695	\$	180,067,775	\$	-	\$	180,067,775
48,495	\$	155,020,465	\$	-	\$	155,020,465
45,390	\$	90,773,768	\$	-	\$	90,773,768
370,451	\$	429,065,407	\$	-	\$	429,065,407
68,308	\$	303,011,587	\$	-	\$	303,011,587
28,485	\$	105,305,029	\$	-	\$	105,305,029
38,048	\$	168,124,081	\$	-	\$	168,124,081
163,207	\$	266,026,060	\$	-	\$	266,026,060
1,573,585	\$	3,869,151,351	\$	-	\$	3,869,151,351

changes

76,061	\$	69,393,807	\$	74,888,889	\$	144,282,696
32,062	\$	123,281,600	\$	74,888,889	\$	198,170,489
97,870	\$	9,772,451	\$	74,888,889	\$	84,661,340
12,890	\$	-	\$	74,888,889	\$	74,888,889
120,071	\$	30,877,097	\$	74,888,889	\$	105,765,986
43,446	\$	47,508,428	\$	74,888,889	\$	122,397,317
14,087	\$	21,258,246	\$	74,888,889	\$	96,147,135
983,775	\$	-	\$	74,888,889	\$	74,888,889
316,543	\$	1,000,000	\$	74,888,889	\$	75,888,889
217,492	\$	154,813,136	\$	74,888,889	\$	229,702,025
132,423	\$	7,860,541	\$	74,888,889	\$	82,749,430
29,163	\$	59,683,889	\$	74,888,889	\$	134,572,778
57,013	\$	1,010,390	\$	74,888,889	\$	75,899,279
101,778	\$	29,391	\$	74,888,889	\$	74,918,280
44,258	\$	999,841	\$	74,888,889	\$	75,888,730
272,539	\$	41,517,021	\$	74,888,889	\$	116,405,910
61,494	\$	37,709,466	\$	74,888,889	\$	112,598,355
152,335	\$	21,865,716	\$	74,888,889	\$	96,754,605
36,584	\$	1,000,000	\$	74,888,889	\$	75,888,889
42,975	\$	6,376,913	\$	74,888,889	\$	81,265,802
40,262	\$	8,640,325	\$	74,888,889	\$	83,538,214

Enrollees: HHS Office of the Assistant Secretary for Planning and Evaluation, *Health Insurance Marketplace: Summary Enrollment Report for the Initial Annual Open Enrollment Period, October 1, 2013 to September 30, 2014*, May 1, 2014.

Costs to States and HHS Spending on Federal Exchange: Congressional Research Service, *Health Insurance Exchanges*, March 28, 2014.

Total Federal Exchange is the sum of \$456 million spent in fiscal 2010-2012, \$1.545 billion in fiscal 2013, and \$695 million spent in the first six months of fiscal 2014, i.e., through March 31, 2014, for a total of \$2.696 billion. The \$695 million for the first six months of fiscal 2014 is half of the amount expected to be spent during the 12 months of fiscal 2014, i.e., through September 30, 2014.

State-based Federal Exchange in each state is the sum of HHS grant funding to the state plus 1/36 of the administrative costs of the Federal Exchange. Administrative costs are allocated 1/36 to each of the 36 states, because the technology necessary to operate the Exchange is substantial and is required regardless of its population. To the extent that non-technology costs are higher in smaller states, this overstates cost-per-enrollee in smaller states and understates it in larger states.

Alabama and New Mexico Exchanges as federally-supported but state-based for 2014: Congressional Research Service, *Health Insurance Exchanges*, May 1, 2014, at 41.