

Look to the States for IT Opportunities in the Supreme Court's Ruling on Health Care Reform

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After three months of grueling debate in the hearing on the controversial Patient Protection and Affordable Care Act (ACA), the Supreme Court upheld the law, including the individual mandate for citizens to have health insurance. However, the court made it clear that the penalty for not having health insurance coverage is a tax—a mechanism Congress has power to exercise. Under this language, Americans are not necessarily being “forced” to purchase health insurance; rather, they are incented to in order to avoid being taxed. The ruling means that virtually every program created by the controversial law will move forward.

The ACA won't have much of a direct impact on technology spending and the contracting market over the next few years in the federal IT market. Under the Obama administration, impacted federal agencies have already been moving ahead in implementing many of the provisions of the law. For example, the oversight offices mandated in the law, such as the Center for Consumer Information and Insurance Oversight (CCIIO), have been established and the technology for those offices to function has been installed and, most importantly, building the IT infrastructure needed to implement the provisions in the law has begun.

The two most critical federal IT investments, the federal Health Insurance Exchange (HIX) and IRS projects for tax collection, are already underway. The Department of Health and Human Services' Centers for Medicare & Medicaid Services (CMS) spent an almost \$134 million in FY2011 and \$57 million in FY2012 on CMS' CCIIO Healthcare Insurance Exchange IT Investment program, which is planned to cost \$516 million in total. Part of that included contracting the building of a federally-run HIX to CGI.

The HIX is a platform for organizing the health insurance marketplace to help consumers and small businesses shop for coverage in a way that permits easy comparison of available plan options based on price, benefits and services, and quality.

For FY2013, CMS and IRS investments have been consolidated and the joint funding request for FY2013 totals \$427 million. Various projects at IRS, some of which are minor, total \$303 million in FY2013 and are likely to go to exiting IRS tax system contractors. The Supreme Court's ruling merely means that these projects continue as planned, so don't expect an IT boom in the federal IT market based on the ruling. Rather look to the states.

Look for Opportunities at the State Level

Each state is required to set up its own health insurance exchange online marketplace and HHS has awarded hundreds of millions of dollars to states to help them and will continue to do so through 2014. However, expect to see most procurements come between now and the end of 2013 because states are required to have their exchanges up and running by January 2014.

Procurements may be for insurance exchange components, including Web portal services, call centers, system integration services, quality assurance services, eligibility system enhancement services, and marketing and outreach services.

The Supreme Court's ruling creates an urgent time-crunch for many states that will compel them to move quickly, especially for those that did not get started on their HIX or made slow progress because they either opposed the law or were betting that the Supreme Court would strike it down. And this creates immediate opportunities for IT vendors.

Under the law, by November 16, 2012 states have to submit letters of intent, or blueprints, to the Center for Consumer Information and Insurance Oversight (CCIIO) that confirm the state's plan to have a state-based or partnership exchange up and running by January 1, 2014. Many states that delayed will be scrambling to put together implementation plans for their exchange. States that fail to meet federal deadlines will be forced to have the federal government step in and set up its own version of the exchange, which is being developed by CGI under the aforementioned HHS contract.

To expedite the process states may look to different procurement strategies. For instance, some are adding insurance exchange components onto existing contracts, such as for eligibility systems. Much of the information stored in these systems overlaps, which may make existing system contractors the most knowledgeable regarding what infrastructure will allow for optimal interoperability. Another technique states may choose to use is procuring for multiple components of the exchange under the same contract, such as call center and program integration services.

In the short term, vendors can expect to see an influx of consultative opportunities released by states that have made minimal progress on insurance exchange implementation. These states that have been rather sluggish will need assistance in performing gap analyses of their as-is and to-be technology environment. Vendors can also expect states that were waiting on the ruling to move forward with releasing solicitations for actual system implementation. States will continue to release procurement to enhance or completely replace their eligibility systems. States will also be looking to contract for consumer assistance-related services, such as call centers.

In 2014 and beyond, vendors can expect to see more solicitations for marketing, outreach and education-related initiatives, since this will be the time consumers are actually signing up for health plans.

Note: This blog was co-authored by Amanda White who covers state and local healthIT at Deltek.