Health Insurance Exchanges

Health insurance exchanges are designed to serve as marketplaces that facilitate the purchase of private health insurance by individuals and small businesses. Exchanges aim to remove some of the barriers that exist in the individual and small group health insurance markets.

An element of the Patient Protection and Affordable Care Act, the federal health reform law enacted in 2010, is the establishment of state-based health insurance exchanges. The law and recently proposed guidelines from the federal government give states considerable flexibility to design a state-based exchange. States vary significantly in their progress in establishing exchanges. In the event a state does not establish an exchange, the federal government will operate an exchange in that state.

Major Components of Insurance Exchanges

- Exchanges will have two major target populations:
  - Individuals who do not have access to affordable group health insurance; and
  - Businesses with fewer than 100 employees.
- The federal government will provide tax credits for qualified individuals who purchase insurance through the exchange.
  - Individuals and families earning between 133 percent and 400 percent of the federal poverty level (income between $29,725 and $89,400 for a family of four in 2011) will qualify for sliding scale premium tax credits.
  - Individuals and families earning between 100 percent and 250 percent of the federal poverty level (income between $22,350 and $55,875 for a family of four in 2011) will qualify for cost-sharing tax credits.
- To participate in the exchange, health plans must cover "essential health benefits," which include: preventive services, prescription drugs, hospitalizations, and emergency services.
- Exchanges are required to operate a telephone hotline and a website where consumers can:
  - Calculate the cost of coverage for each qualified health plan;
  - Compare and select a plan;
  - Determine eligibility for a federal tax credit; and
  - Learn if they qualify for Medicaid or other public programs.
- State legislatures may determine the size and composition of the exchange's oversight board.

- The exchanges must be operational by January 1, 2014. If a state elects not to establish an exchange, the federal Department of Health and Human Services (HHS) is required to operate an exchange in the state.
- The Congressional Budget Office estimates that 11.5 million people will use the exchanges in 2014 and 24 million people will use them by 2019.

National Update

- Exchange establishment across the country:
    - Two states, Massachusetts and Utah, have been operating exchanges that were established prior to the passage of the 2010 law.
    - Ten states have enacted an exchange bill since 2010.
    - Four states have enacted a bill that signals their intent to establish an exchange.
    - Three states have passed a bill in one or both houses.
    - Three states have legislation pending in one or both houses.
    - Nine states have introduced legislation that failed due to session adjournment.
    - Four states have enacted a bill or issued an executive order signaling intent to establish an exchange.
    - Four states have enacted a bill or issued an executive order to study the feasibility of an exchange.
    - Eight states have not introduced any exchange legislation.
    - One state, New Mexico, had exchange legislation vetoed by the governor.
    - Two states, Louisiana and South Carolina, notified HHS that they will not establish an exchange.
    - One state, Florida, designed a small business insurance marketplace in 2008 and indicated this will be implemented, despite not meeting federal guidelines to be an exchange.
    - 49 states have authorized the use of a $1 million federal planning grant for exchanges.
- On July 11, HHS released a notice of proposed rulemaking regarding exchanges. The guidelines are meant to provide clarity to states on exchange design and implementation. States, insurance groups, and consumer advocates have 75 days to comment. Highlights include:
    - Insurers will be allowed to hold seats on exchange oversight boards;
    - States are given more leeway with the January 1, 2013 demonstration deadline. HHS will now grant “conditional approval” to states showing progress in establishing an exchange; and
    - States may choose to design their exchange as either a “clearinghouse” or an “active purchaser.”

Peer States

Illinois, Iowa, Kansas, and Arkansas are all considered Missouri's peer states due to their geographic proximity and similar economic makeup. An examination of these states' progress towards developing exchanges provides a good point of comparison with Missouri's efforts to establish an exchange.

- No peer state has enacted a law to establish an exchange.
- One state, Illinois, passed a bill signaling the state's intent to establish an exchange.
- The other states either failed to pass a bill or did not introduce legislation at all.
- Of Missouri's peer states, Iowa's position is most similar: a bill failed to pass in the Senate before adjournment despite bi-partisan support.

Arkansas

- In the 2011 session, the Legislature failed to pass a bill that would establish an insurance exchange. The state's Insurance Commissioner is lobbying for legislative approval of a bill in next year's session.

Illinois

- On July 14, 2011, Governor Quinn signed a bill into law that signals the state's intent to establish an exchange by October 1, 2013. The bill establishes a legislative committee that will study exchange implementation and design. They will report their findings no later than September 30, 2011. The report will include recommendations on how the General Assembly should move forward with exchange implementation.

Iowa

- The Republican-controlled House passed an exchange bill, but it died in the Senate. The bill stalled due to disagreements over insurance agent commission rates. Both Democratic and Republican leadership have stated they want to avoid federal intervention and hope to approve a plan next year in advance of the 2013 deadline.

Kansas

- No exchange legislation has been passed.
- Kansas recently announced it was returning its Early Innovator Grant to the federal government.

Profiles of an Existing and Recently Established Insurance Exchange

The Utah Health Exchange

- Serves as a market organizer or clearinghouse rather than an active purchaser;
- Does not negotiate prices, set minimum quality standards, provide premium subsidies or control variation between plans;
- Exists as a Web portal through which small businesses can make a defined contribution—a fixed dollar amount per employee—toward health insurance.
- Employees can compare and select health plans from a range of options. They pay the difference between the employer's contribution and the premium.
- Allows businesses with 2-50 employees to participate;
- Had 3,583 enrollees as of July 2011.
- Has not been linked with a decrease in the state's uninsured population. Since its establishment, the state's percentage of uninsured increased from 13.2 percent to 14 percent.

The Colorado Health Insurance Exchange

- Passed in June with bipartisan support. Republican House Majority Leader Amy Stephens was a co-sponsor of the bill.
- Received crucial support from business interests such as the National Federation of Independent Businesses.
- Has an oversight board that is creating significant friction. The board includes the CEOs of the three largest insurers in the state. Some legislators are calling for more consumer advocates on the board.
- Was enacted by a divided legislature. Colorado is the only state to pass an exchange bill with a divided legislature.

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