

American Health Benefits Exchanges

The Patient Protection and Affordable Care Act (ACA) aims to expand access to affordable health insurance coverage, partially through the establishment of American Health Benefits Exchanges (Exchanges).¹ Exchanges refer to new, transparent, and competitive private health insurance markets that aims to allow individuals and small businesses to purchase affordable qualified health plans.² The health insurance Exchanges are designed to address the lack of accountability in the insurance market and to provide group purchasing power to individuals and small businesses who have been unable to join together to purchase health insurance, which often results in higher insurance premiums.³ The state-run health insurance Exchanges aim to facilitate the purchase of qualified health plans, increase transparency of pricing and quality, and allow for more regulation of health insurance.⁴

The ACA calls for the establishment of Exchanges by January 1, 2014, at which time individuals and small businesses with up to 100 employees can purchase plans through the Exchanges for their employees.⁵ Beginning in 2017, states may allow businesses with more than 100 employees to participate in the Exchanges as well.⁶ The legislation stipulates that states have the choice to: (1) create a regional Exchange that encompasses multiple states; (2) create a regional Exchange that encompasses part of a state; or, (3) not establish a regional Exchange and rely on a federally operated system.⁷ The Exchanges are federally mandated and states must meet certain minimum federal standards, e.g. offering open enrollment, setting similar community-rated premiums regardless of health status, and utilizing a standardized format for presenting health insurance options in the Exchange.⁸ However, the ACA leaves many overall decisions to the states. For example, states can choose to establish a separate Exchange for individuals and small businesses, or can establish one consolidated Exchange to assist both groups.⁹ States can also regulate the number of insurance carriers participating in each Exchange, as well as the pricing of four benefit tiers.¹⁰

Several factors may contribute to the effectiveness of health insurance Exchanges. First, in order to achieve their goals of increased insurance regulation and provision of affordable health insurance coverage, Exchanges must avoid political influence and maintain

public accountability.¹¹ Additionally, Exchanges must account for risk selection in the individual pool of consumers, although pooling risks across larger groups may help lower premiums.¹² There must also be healthy competition among providers to offer consumers with a broad choice of plans.¹³ Although the Exchanges will not become effective until 2014, the federal government has already begun working with states to move forward in establishing the Exchanges. On September 30, 2010, the Department of Health and Senior Services (HHS) announced \$49 million dollars in grants to assist 48 states and the District of Columbia in establishing the Exchanges. On October 29, 2010, HSS also announced two-year grants to be awarded to five states (or associations of states) to develop information technology models for the health insurance Exchanges, which may then be used by other states as they develop their Exchanges.¹⁴

In the coming years, health insurance Exchanges may be instrumental in assisting individuals and small businesses with making informed health insurance purchasing decisions, by enabling these consumers to compare health plan benefits, pricing, and quality. While several development and implementation activities remain, ultimately, consumers should learn how the health insurance Exchanges system works and utilize it responsibly to make informed decisions in purchasing insurance.

¹ "The Patient Protection and Affordable Care Act" P.L. 111-148, 124 Stat. 772 (March 30, 2010), p. 173.

² "Glossary: 'Exchange,'" HealthCare.gov, <http://www.healthcare.gov/glossary/e/Exchange.html>, (Accessed 11/10/10).

³ "Health Insurance Exchanges: State Planning and Establishment Grants," HealthCare.gov, <http://www.healthcare.gov/news/factsheets/esthealthinsurexch.html> (Accessed 11/10/10).

⁴ "Insurance Exchange Under Health Reform: Six Design Issues for the States" By Jon Kingsdale and John Bertko, Health Affairs, Vol. 29, No. 6, (June 2010), p. 1159.

⁵ "Insurance Exchange Under Health Reform: Six Design Issues for the States" By Jon Kingsdale and John Bertko, Health Affairs, Vol. 29, No. 6, (June 2010), p. 1158.

⁶ "Summary of new health reform law" The Henry J. Kaiser Family Foundation, March 26, 2010, <http://www.kff.org/healthreform/upload/8061.pdf> (Accessed 9/20/10).

⁷ "Insurance Exchange Under Health Reform: Six Design Issues for the States" By Jon Kingsdale and John Bertko, Health Affairs, Vol. 29, No. 6, (June 2010), p. 1158.

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- ⁸ “Planning and Establishment of State-Level Exchanges; Request for Comments Regarding Exchange-Related Provisions in Title I of the Patient Protection and Affordable Care Act,” 45 CFR Part 170, Federal Register Vol. 75, No. 148, August 3, 2010.
- ⁹ “Insurance Exchange Under Health Reform: Six Design Issues for the States” By Jon Kingsdale and John Bertko, Health Affairs, Vol. 29 , No. 6, (June 2010), p. 1158.
- ¹⁰ “Insurance Exchange Under Health Reform: Six Design Issues for the States” By Jon Kingsdale and John Bertko, Health Affairs, Vol.29, No. 6, (June 2010), p. 1160.
- ¹¹ “Insurance Exchange Under Health Reform: Six Design Issues for the States” By Jon Kingsdale and John Bertko, Health Affairs, Vol.29, No. 6, (June 2010), p. 1159.

- ¹² “Starting on the Path to a High Performance Health System: Analysis of the Payment and System Reform Provisions in the Patient Protection and Affordable Care Act of 2010” by Karen Davis, Stuart Guterman, Sara R. Collins, Kristof Stremikis, Sheila Rustgi, and Rachel Nuzum. The Commonwealth Fund. http://www.commonwealthfund.org/~media/Files/Publications/Fund%20Report/2010/Sep/1442_Davis_Payment%20and%20System%20Reform_923v2.pdf. (Accessed 11.01.10).
- ¹³ “Insurance Exchange Under Health Reform: Six Design Issues for the States” By Jon Kingsdale and John Bertko, Health Affairs, Vol.29, No. 6, (June 2010), p. 1161.
- ¹⁴ “Health Insurance Exchanges: State Planning and Establishment Grants,”HealthCare.gov, <http://www.healthcare.gov/news/factsheets/esthealthinsurexch.html> (Accessed 11.01.10).



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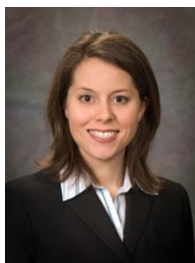
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