

# In the Spotlight: Health Care Reform and American Health Benefit Exchanges

One of the key goals of the Affordable Care Act (ACA) is to organize the health insurance market through the creation of American Health Benefit Exchanges (“the Exchange”). The Exchange is intended to be a new transparent and competitive insurance marketplace where individuals and small businesses can shop for and buy qualified health benefit plans. Many people compare health insurance Exchange shopping and purchasing experience to “Orbitz,” one of the sites people use today to purchase airline tickets, but with additional requirements. The concept of Exchanges is central to the health care reform law and is seen as serving many functions, including: allowing individuals and small groups to calculate and compare products, providing standardized information about coverage and pricing information and, most importantly, determining eligibility for and connecting purchasers with potential subsidies.

## Exchange Details

Exchanges are to be built and operated by states, with the assistance of federal funding until January of 2015, at which time the Exchanges will have to be self-sustaining. If a state has not taken the necessary steps to establish an Exchange by January of 2013, the Secretary of the U.S. Department of Health and Human Services (HHS) is required to establish and operate an Exchange in the state.

The Exchange will help individuals and small businesses shop and compare health insurance plans based on formats that were defined by ACA. Four levels of plans will be available on the Exchange: bronze, silver, gold, and platinum (also a catastrophic plan for individuals under 30 or those meeting other criteria). Each level will be standardized based on the benefits covered and the actuarial value (the portion of total costs that will be covered by the insurance company) of the [essential health benefits](#) that all plans must cover. In order to participate in the Exchange, all insurers must offer at least one silver and one gold plan. Current methods for selling and purchasing insurance will still exist, in addition to the Exchange.

A “Qualified Health Plan” is one that is certified by an Exchange, provides essential health benefits, follows established limits on cost-sharing (deductibles, copayments, and out-of-pocket maximum amounts), and meets other requirements. In addition, each Qualified Health Plan on the Exchange will be assigned a quality rating based on criteria developed by the Secretary of HHS.

Importantly, Exchanges will determine eligibility for small business tax credits and premium subsidies, based on federal guidelines. Additionally, the Exchanges will determine if individuals meet eligibility requirements to enroll in Medicaid or other government programs. If eligible, the Exchange will enroll them directly into the suitable program; if not, families and individuals who fall between 133% and 400% of the federal poverty line (\$88,000 for a family of four according to 2010 federal guidelines) may be eligible for [subsidies](#).

## National Leadership on Exchanges

As a part of ACA, HHS was directed to collaborate with the National Association of Insurance Commissioners (NAIC), as well as other stakeholders to develop standards for the Exchange. In November of 2010, the NAIC [adopted model](#) legislative language for the Exchange, including definitions and general requirements. The model leaves to the states’ discretion how to establish an Exchange. There is much flexibility to contract with an eligible entity or have the Exchange run by a state agency, like the Medicaid office. Health insurance carriers are not considered eligible entities. Kathleen Sebelius, Secretary of HHS, praised the NAIC’s work, saying “The preliminary drafts currently under review are in accordance with the statute and will serve as a helpful model for states to establish authorizing legislation for their Exchanges.”

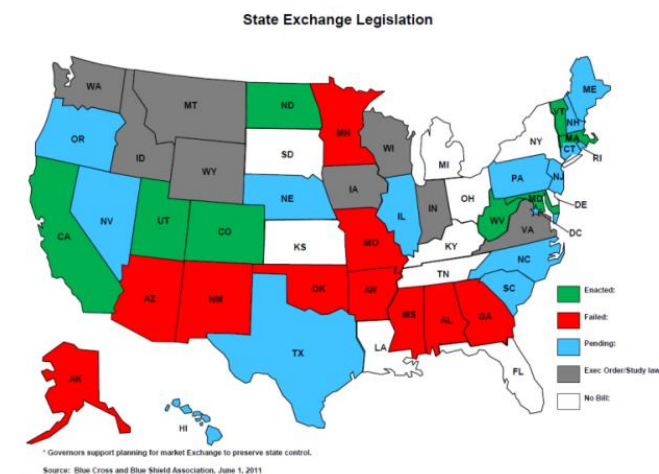
## Exchange Funding

Grant funding was designated to help states plan, establish and operate Exchanges. [In September of 2010](#), \$49 million in grants was distributed to 48 states and the District of Columbia (Alaska and Minnesota chose not to apply, while Florida and Louisiana received and later returned grants). This funding was allocated to help states research and plan how to run an Exchange. [In](#)

[February of 2011](#), seven states received additional funding (Early Innovator Grants) based on their readiness to use innovative health information technology in their Exchange. These grants varied in size. The state of Oklahoma, which received the largest Early Innovator Grant, [chose to return](#) the \$54 million in an apparent political move to oppose the implementation of health care reform. Going forward, there will be several more opportunities for states to secure funding for the Exchanges. Applications for the [next round of grants](#) for Exchange Establishments are due June 30, 2011.

## What is happening in the States?

ACA places most of the responsibility for establishing and running Exchanges on the states. The structure of the Exchange, the board composition, decision on merging rating pools, and size of the small businesses allowed to purchase insurance on the Exchange are all left to the state's discretion. On May 25, 2011, the North Carolina House passed a bill to establish the infrastructure of the Exchange, making it one of 18 states with pending legislation to establish the Exchange. Six states have passed legislation to establish the Exchange while nine states have no legislation pending. In states that have not established an Exchange by 2014, the US Department of Health and Human Services (HHS) will establish one. Linked [here](#) is the General Assembly page on the Exchange bill, in order to stay current on this issue.



## BCBSNC Views

Blue Cross and Blue Shield of North Carolina supports fair competition and availability of health care coverage. In order to foster competition, every carrier wanting to offer a Qualified Health Plan should be permitted to participate. To ensure that affordable coverage is available to health care consumers, flexibility in the market will be critical. Everyone participating in the Exchange should be subject to a level playing field, but participation in the Exchange should be voluntary. Of key importance, the Exchange must be focused on meeting the needs of the consumers in order for it to be successful. Funding for the Exchange should be adequate and transparent and it should be developed and maintained with efficient operation in mind to balance affordability.

## For More Information:

HealthCare.gov Exchange Grants: <http://www.healthcare.gov/news/factsheets/esthealthinsurexch.html>

Kaiser Family Foundation: What is an Exchange?: <http://healthreform.kff.org/faq/what-is-a-health-insurance-exchange.aspx?gclid=CJ6culiNmKkCFcZM4Aod4Hqmsg>

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