



NAVIGATING HEALTHCARE REFORM

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ACA In The News: “What is an Exchange?”

The Affordable Care Act (ACA) requires each state to have a competitive marketplace, known as an **Affordable Health Insurance Exchange** (Exchange), for individuals and small businesses to purchase health insurance. According to the Department of Health and Human Services (HHS), the Exchanges will allow for direct comparisons of health insurance options on the basis of price, quality and other factors and will coordinate eligibility for premium tax credits and other affordability programs.

While ACA established the state and federal Exchange options for individuals and small employers, brokers and carriers can also provide an Exchange option, referred to as a Private Exchange. Although all options have the term “Exchange” associated with them, they operate very differently.

As an Individual	
Marketplace (Federal Exchange)	<p>Insurance plans in the Marketplace are offered by private companies (such as United Healthcare, Humana and BCBS), and they all cover the same core set of benefits, known as essential health benefits. No plan can turn away a member or charge a greater premium because of pre-existing illness or medical condition. In addition, plans cannot charge women more than men.</p> <p>The Marketplace simplifies a members search for health coverage by gathering the options available for their area in one place. With one application, they can compare plans based on price, benefits, quality and other important features prior to making an election. Through Healthcare.gov, members can get help online, by phone, by chat or in person.</p> <p>Through the Marketplace, members are responsible to pay their premiums directly to their carrier on a post-tax basis. Depending on the member’s income level, a subsidy to help offset the cost of the premium may be available through the Federal Exchange via Healthcare.gov.</p> <p>The Marketplace is available for all members to enroll with coverage beginning as early as of January 2014. (Note, if you are on a group plan through your employer, you may need to wait until your Open Enrollment period to drop your existing coverage and elect a Marketplace plan.)</p>
Individual Private Exchange	<p>The Individual Private Exchange is near identical to the Marketplace, with the exception of the following:</p> <ul style="list-style-type: none">• Private Exchanges are typically set up with brokers• Individuals do not have access to a subsidy through a Private Exchange• The account setup process is a lot simpler because an individual’s financial information is not required. <p>The Individual Private Exchange has access to the same plan and the same rates as the federal Marketplace. The difference is how an individual accesses the plans. (It is recommended that if a member does not qualify for a subsidy they use an Individual Exchange rather than the Marketplace for ease of enrollment.)</p>

As an Employer	
SHOP Exchange	<p>Most private insurance companies that participate in the individual Marketplace also participate in a Small Business Health Options Program (SHOP) component for small businesses to purchase health insurance coverage for their employees. According to HHS, SHOPS will allow small employers to provide their employees with a choice of health plan options and will give small businesses the same purchasing power as large businesses.</p> <p>In some states, the plans available to employers are limited and may be subject to a participation fee. As a result, these options may not be as competitive as purchasing a group plan directly through a carrier for an employer.</p> <p>In most states, small employers with up to 100 employees will be eligible to participate in the Exchange. Enrollment in a SHOP plan would be done at the employer level. A SHOP will provide the employer with a bill on a monthly basis that identifies the employer contribution, the employee contribution and the total amount that is due to the carrier from the employer. The SHOP will collect the amount due from each employer and make payment to the carrier in the SHOP for all enrollees. By facilitating aggregate billing, an employer can make one payment to the SHOP for the premiums of its employees' coverage. Premium contributions made through payroll deductions can be taken on a pre-tax basis.</p>
Private Exchange	<p>Some employers may use the private exchanges to offer a defined contribution model of purchasing health coverage. Under this model, employers provide employees with a defined amount of money and direct them to the selected exchange where they can select a health plan from a wide array of options, typically through an online enrollment system.</p> <ul style="list-style-type: none"> • Private exchanges have the potential to provide more flexibility than the ACA's Exchanges. Private exchanges can offer a broader range of insurance products, including life insurance, dental and disability and their products can be tailored for different types of employee groups. • Although the ACA prohibits large employers from using the SHOP Exchanges until at least 2017, there is no similar restriction for private exchanges. Thus, small and large employers can use private exchanges to provide group health insurance benefits to their employees. <p>Private health insurance exchanges are a relatively new model for providing group health insurance benefits. Enrollment in a private exchange plan would be done at the employer level. Premium contributions made through payroll deductions can be taken on a pre-tax basis.</p>

More information on the Federal / State Exchange is available through www.healthcare.gov and <http://cciio.cms.gov>.

