

Health Reform: What Legislators Need to Know about Exchanges

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NCSL Webinar

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Health Insurance Exchanges

Federal Health Reform enables states to establish “American Health Benefit Exchanges” for individuals and small employers.

- **HHS Sec’y provides grants to states to develop.**
- **If state will not establish qualified Exchange, HHS Sec’y is to do so.**
 - **Can designate a non-profit entity.**
 - **To be determined before 2013.**

Key Roles of an Exchange

- **Provide convenient access to consumer choice of competing qualified plans.**
- **“Travelocity” / “Kayak.com” of health insurance.**
- **“Essential health benefits” and “actuarial value” requirements outlined in federal law.**
 - **“Actuarial value” means how much of the cost of the essential benefits the plan pays (in %).**
- **Like Massachusetts Connector, specifies bronze, silver, gold and platinum benefit levels,**
 - **Plus low-cost catastrophic-only plan for adults <30 or individuals exempt from mandate due to cost.**

Key Exchange Functions

- **Arrange eligibility determinations:**
 - For individual tax credits.
 - For “affordability” waiver granting access to tax credits in Exchange (where employer-offered coverage costs >9.5% of income).
 - For “affordability” exemption from individual mandate (>8.0% of income).
 - Screen and refer to Medicaid, CHIP (“one-door” eligibility)
- **Certify Qualified Health Plans**
 - Using HHS criteria (plus _____?)

Other Exchange Functions, e.g.

- **Website with standardized comparative information on plans. Also toll-free hotline.**
- **Assign a quality rating to each exchange plan (based on criteria developed by HHS).**
- **Online calculator so people can determine their cost of coverage after premium credits and cost-sharing subsidies.**
- **Determine when employees are eligible for Exchange coverage and tax credits because employer's plan was unaffordable or inadequate.**
- **Inform individuals of eligibility requirements for Medicaid, CHIP, etc., and, if eligible, enroll them.**
- **Set up a "Navigator" program.**

Who Is Served by the Exchange?

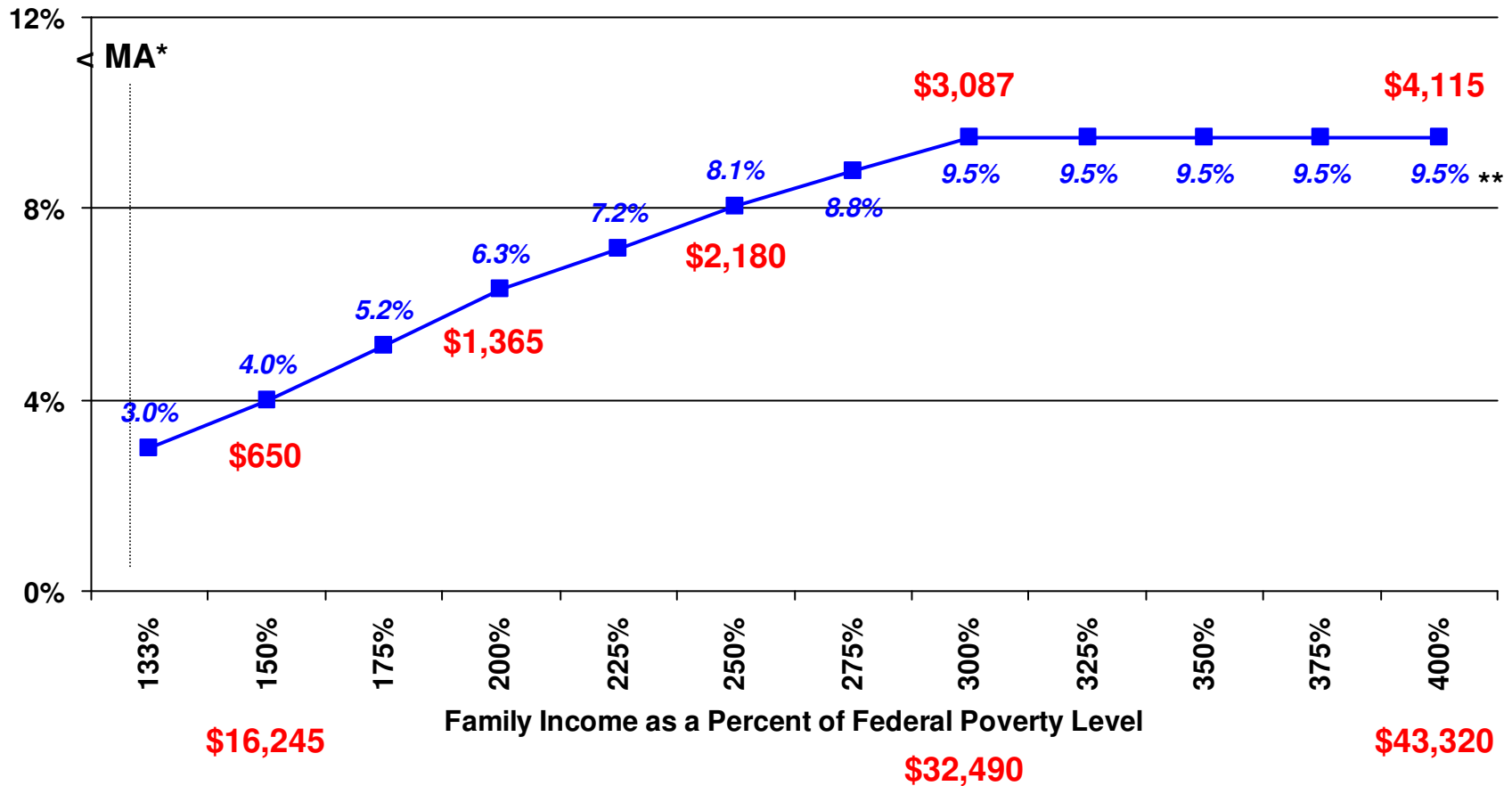
Mandatory:

- **Must participate in Exchange to receive tax credits:**
 - Individuals; small, low-wage employers.
 - Individuals are not eligible for tax credits (subsidies) if they are:
 - Eligible for affordable employer coverage, OR
 - Eligible for Medicare or Medicaid.

Voluntary:

- Any lawful resident who is not incarcerated may participate.
- Small employers with up to 100 EEs.
- Beginning in 2017, larger employers, at the option of the State.

How Much Individuals Have to Pay (per year) for Benchmark Exchange Coverage Is a Percent of Family Income (2010 figures shown)



Notes:

Poverty level for one in 2010 = \$10,830

* Workers and dependents with family incomes under 133% FPL would always be allowed to enroll in Medicaid.

** If cost is more than 8.0% of income, individual mandate to buy does not apply.

Source: H.R. 3590 as amended by H.R. 4872

Key Differences from Massachusetts Connector Model

- Mass. Connector has separate Exchanges—with different health plans—for modest-income subsidized participants <300% FPL and for non-subsidized individuals >300% FPL.
- American Health Benefit Exchanges make the same plans* available to all individuals, and
- All participants across Exchange and “outside market” are in same risk pool.
- Mass. Connector pays plans (like Medicaid).
- U.S. Treasury, not Exchanges, pays subsidies (tax credits and cost-sharing subsidies) to plans.

* *Low-income persons will receive supplemental benefits (reduced cost-sharing) in addition to the “silver” plan they choose. The same “silver” plans will be offered to other Exchange participants, but without supplemental benefits.*

Key Initial State Decisions

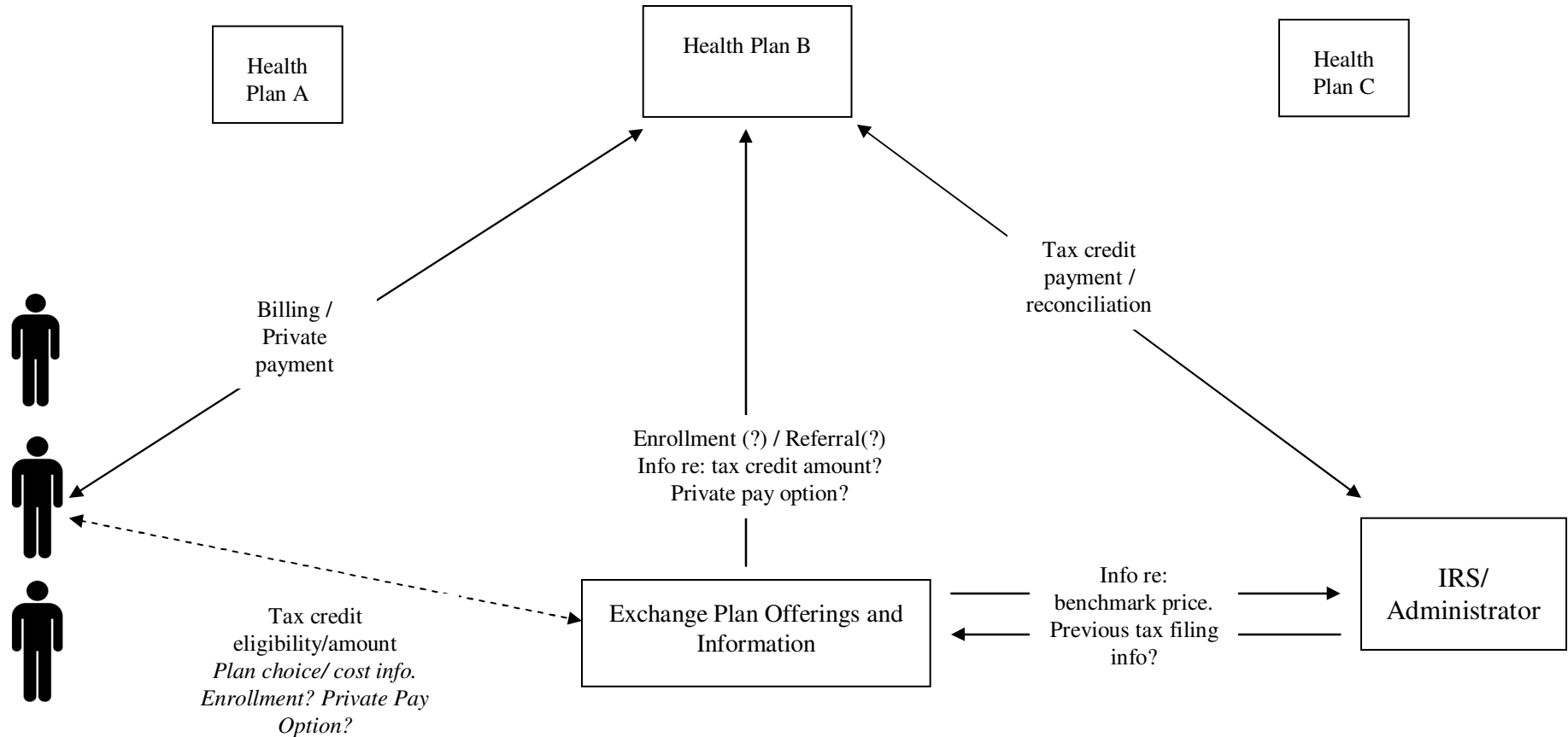
(inter-related, of course)

- **How Many?**
- **Who / Where?**
- **What (if any) plan-selection role?**
- **Other issues.**

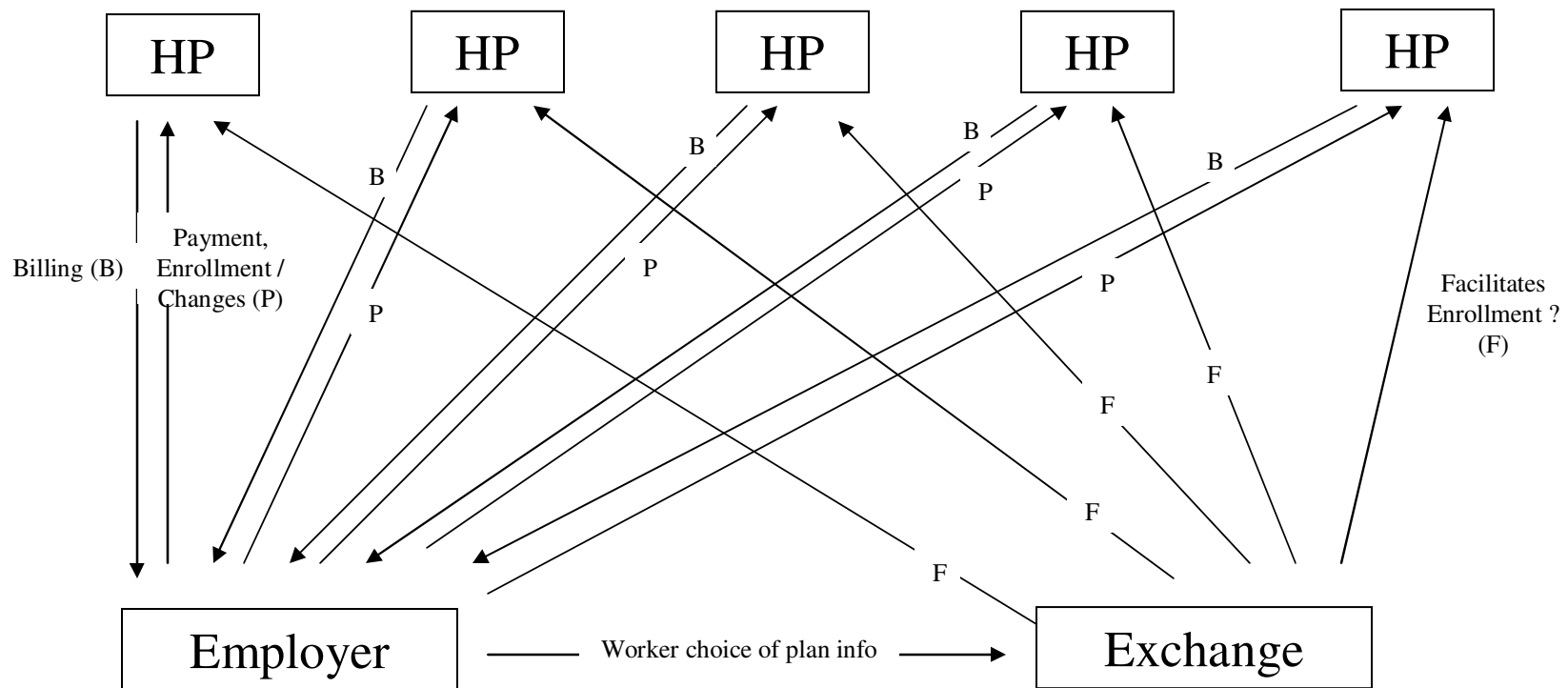
How Many?

- **Individual and SHOP Employer Exchange: Same or separate?**
 - **State can choose to combine individual and small employer markets, or not.**
 - **If markets are combined, combined Exchange makes sense.**
- **But essential functions differ in the two markets.**

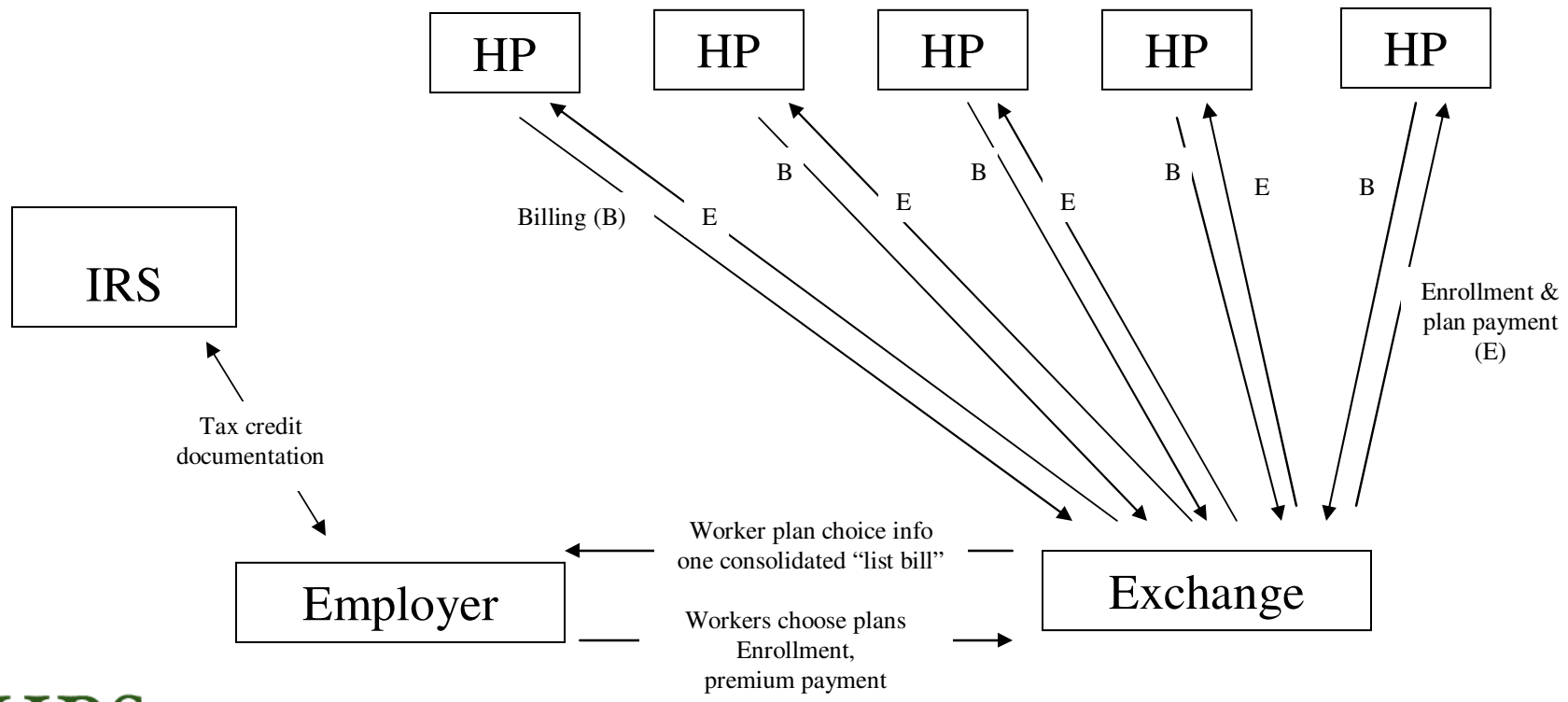
Individual Exchange and Premium Tax Credit Relationship



Employer “SHOP-YOU-WOULD-DROP” Exchange



Employer One-Stop SHOP Exchange



Other Issues

- **Require benefits beyond federal “essential health benefits”?**
 - **If so, state pays extra subsidy costs.**
- **Require greater standardization of products than the federal statute does?**
- **“Outside” market?**
 - **Federal guidelines only.**
 - **Extend all same rules as Exchange.**
 - **The Exchange is the market.**

Employee Eligibility Requirements for Individual Tax Credits via Individual Exchange

- Employees who are offered employer coverage are not eligible for subsidized coverage through the Exchange . . .
 - unless employer coverage costs them more than 9.5% of household income. (50+ employer fee \$3,000—does not affect employee cost.)
- **BUT**, if employer coverage would cost the worker between 8.0% and 9.8% (*sic*) of household income, not eligible for subsidy, but:
 - Worker can leave employer plan and enroll in Exchange plan.
 - Employer must pay to Exchange the age-adjusted amount employer would have paid toward employer coverage (for single or family coverage, as applicable).
 - Worker applies this “voucher” toward full premium of Exchange plan (not eligible for subsidies).
 - “Wyden Amendment”

Wage Levels Don't Define Family-Income-Based Subsidy Levels

Workers Holding EBI By Individual Annual Income	Total	Family Income Relative to FPL			
		<200%	200%- 299%	300%- 399%	400% +
Less than \$20,000	100.0%	55.1%	17.6%	10.6%	16.7%
\$20,000 to \$29,999	100.0%	26.5%	37.0%	15.0%	21.5%
\$30,000 to \$39,999	100.0%	7.9%	30.3%	30.4%	31.4%
\$40,000 to \$49,999	100.0%	3.1%	14.4%	30.0%	52.5%
\$50,000 or more	100.0%	0.2%	3.8%	8.8%	87.2%
All Workers w/ EBI in Own Name	100.0%	11.0%	16.1%	16.6%	56.3%

Soooo . . .

- **Many specifics will not be determined by DHHS and Treasury this year.**
- **But state could make some initial decisions:**
 - **E.g., who runs the Exchange(s)**
- **Transition measures might be considered.**