



Health Exchanges: The New Insurance Marketplace

Center Forward Basics
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Overview

The Affordable Care Act (ACA) was signed into law more than three years ago, and yet the health care reform law's signature pieces are only now beginning to go into effect. Beginning on October 1, Americans will have the opportunity to enroll in private health insurance plans for 2014 through online marketplace network established by states and the federal government. Through the same website, individuals will be able to determine whether they qualify for federal subsidies to cover a portion of the cost of their new coverage. Implementing the most expansive federal social program since Medicare brings a host of challenges for federal and state officials and policymakers, and the current political climate will only make implementation that much more difficult.

What are the exchanges?

At the center of the health care reform law is the notion that the higher costs and limited benefits of traditional individual and small business insurance plans can be improved by replicating the group system currently used by large employers. The "American Health Benefits Exchanges" are designed to create a larger, healthier pool of participants, which allows health insurers to lower their plan costs and reach more people all at once.

For consumers, exchanges are intended to serve as a one stop shop, where they can identify possible coverage options, research each plan's costs and benefits, and enroll in the plan of their choice. To facilitate enrollment, every exchange is required to establish a web portal, as well as a toll-free consumer assistance hotline to field specific questions and provide additional, tailored information. Only those plans purchased through an exchange are eligible for a federal premium subsidy, which could defray a portion of the cost of purchasing coverage for eligible purchasers.

Who is setting up and running the exchanges?

The ACA requires an exchange in each state. If a state chooses not to create an exchange, the federal government can establish and operate the exchange in that state. As of May 2013, the ACA had provided \$3.6 billion in grants to states to help them design and build the infrastructure necessary to enroll patients on October 1.

Why are policymakers concerned about the roll out?

Millions of Americans are expected to receive their insurance through plans on the exchange. The ACA's complex eligibility rules require each exchange's online systems to interact with databases at the Homeland Security Department, to verify legal residency, as well as the Internal Revenue Service, to verify income. At the same time, exchanges must also coordinate with other coverage programs which change significantly from state to state, such as Medicaid and Children's Health Insurance Program CHIP. Reports have indicated that early tests of the exchange web portals have highlighted serious glitches that could provide inaccurate info to potential customers, leading them to either delay purchasing coverage or choose the wrong plan for their needs.

Key Facts

- There will be **51 exchanges**—one for every state and the District of Columbia:
 - **17 state-run**
 - **27 federally-run**
 - **7 state-federal partnerships**
- Estimates for Individuals Enrolling in Exchange Insurance Plans in 2014:
 - USA Today State Survey: **8.5 million**
 - Congressional Budget Office: **7 million**
 - Citigroup Investor Survey: **4 million**
- 90% of enrollees are expected to have **5 or more insurance company options**

Other Resources

- Congressional Research Service - [Health Insurance Exchanges Under PPACA \(R42663\)](#)
- Healthcare.gov - [What is the Health Insurance Marketplace?](#)
- America's Health Insurance Plans - [The Issues: Exchanges](#)
- White House - [Memo on Competition, Choice, and Affordable Coverage](#)
- Kaiser Family Foundation -
 - [A Profile of Health Insurance Exchange Enrollees](#)
 - [State Health Exchange Profiles](#)
- Robert Wood Johnson Foundation - [Plan Management Report](#)

Links to Other Resources

- Congressional Research Service (CRS) – Health Insurance Exchanges Under the PPACA (R42663)
<http://www.fas.org/sgp/crs/misc/R42663.pdf>
- Healthcare.gov – What is the Health Insurance Marketplace?
<https://www.healthcare.gov/what-is-the-health-insurance-marketplace/>
- America’s Health Insurance Plans – The Issues: Exchanges
<http://www.ahip.org/Issues/Exchanges.aspx>
- White House – Memo on Competition, Choice, and Affordable Coverage
http://www.healthreformgps.org/wp-content/uploads/competition_memo_6-11.pdf
- Kaiser Family Foundation – A Profile of Health Insurance Exchange Enrollees
<http://kff.org/health-reform/report/a-profile-of-health-insurance-exchange-enrollees/>
- Kaiser Family Foundation – State Health Exchange Profiles
<http://kff.org/state-health-exchange-profiles/>
- Robert Wood Johnson Foundation – Plan Management Report
<http://www.rwjf.org/content/dam/farm/reports/reports/2012/rwjf72891>