



The Affordable Care Act and Health Insurance Exchanges

Topeka, Kansas • December 9, 2010

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The Kansas Health Institute is an independent, nonprofit health policy and research organization that informs policymakers about important issues affecting the health of Kansans.

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What is a health insurance exchange?

A purchasing arrangement through which insurers offer and smaller employers and individuals purchase health insurance. Standards can be set for what benefits would be covered, how much insurers could charge, and the rules insurers must follow in order to participate in the insurance market. Individuals and small employers would select their coverage within this organized arrangement.



What is a health insurance exchange? (continued)

- As envisioned in the ACA, the health insurance exchanges would provide a new route to coverage for individuals and small businesses.
- For those meeting eligibility standards, federal subsidies will be available to offset the costs of coverage.



What guidelines does the ACA provide?

- By 2013, states must submit to HHS plans to run exchange(s)
- The system for determining federal subsidy eligibility must interface with the Medicaid eligibility system
- Each plan offered through the exchange must provide at least the “essential health benefits” package
- Simplicity and transparency are to be main themes



What guidelines does the ACA provide? (continued)

The exchange(s) will provide four tiers of plans as well as a catastrophic plan for young adults

Individual and Small Group Plans to be Offered	
“Bronze”	This plan represents the required minimum creditable coverage standard; an actuarial value of 60%
“Silver”	Actuarial value of 70%
“Gold”	Actuarial value of 80%
“Platinum”	Actuarial value of 90%
“Catastrophic”	Not tied to actuarial value limit, provides catastrophic coverage along with some preventative and primary care benefits to young adults and those not subject to the individual mandate.



What guidelines does the ACA provide? (continued)

Out-of-pocket costs for plans purchased in the exchange(s) will be limited for consumers with incomes at or below 400% of FPL

Out-of-pocket Limits for Certain Consumers	
100-200% of FPL	One-third of HSA limits (\$1,983/\$3,967)
200-300% of FPL	One-half of HSA limits (\$2,975/\$5,950)
300-400% of FPL	Two-thirds of HSA limits (\$3,987/\$7,973)



What guidance is still pending?

- Exactly how the Medicaid eligibility and federal subsidy eligibility systems will interface is not yet defined
- How subsidy eligibility determination will occur and be communicated is unclear
- Which services will comprise the essential health benefits package has not been determined, legislation outlines broad categories such as;
 - Hospitalization
 - Prescription drugs
 - Emergency services



What decisions are left up to states?

- The exchange(s) need to serve individuals and small businesses, but states can choose to:
 - Operate two separate exchanges
 - Operate one exchange that serves both groups
 - Operate multiple regional exchanges within the state or large multi-state exchanges
- Governance of the exchange(s) can be left to a state agency or trusted to a non-profit or quasi-governmental entity



What decisions are left up to states? (continued)

- Some states have entertained applying the rules applicable to plans in the exchange(s) to plans outside the exchange(s)
- Room for wide discretion in plan design
- In 2017, larger groups (100+) can be allowed to access the exchange(s)



What is happening in Kansas?

- KHPA's HRSA grant to upgrade Medicaid eligibility IT system may position Kansas well
- Consortium on Health Care Reform Legislation Implementation includes key members from Kansas
- KID, KHPA, SRS and other agencies reviewing existing laws and identifying areas where legislation may be need to be created or revised



How would exchange(s) impact consumers in Kansas?

- Nearly 55% of all Kansans receive insurance from an employer; among adults age 19-64, the percentage is 66%
- Almost 75% of private Kansas businesses employ fewer than 50 employees*
- 2/3 of Kansans earn income at or below 400% of FPL

*Until 2016, states may limit access to the exchange to businesses of 50 and fewer employees; Kansas has decided to do this



How would exchange(s) impact consumers in Kansas? (continued)

- KHPA/schramm-raleigh projections
 - 96,000 gain insurance from large employers (50+) due to employer coverage requirement
 - 108,000 lose employer-sponsored insurance from small employers
 - 73,000 gain individual policies
- Role of exchange(s)?



Unique Challenges for Kansas

- Volume of influx to the system
 - The expansion of Medicaid will in and of itself create additional tension for the system
 - The large number of Kansans likely eligible for federal subsidies indicates that the exchange(s) will need to be prepared to handle a large number of consumers
- Rural populations, isolated areas
 - Exchange(s) portals primarily internet-based

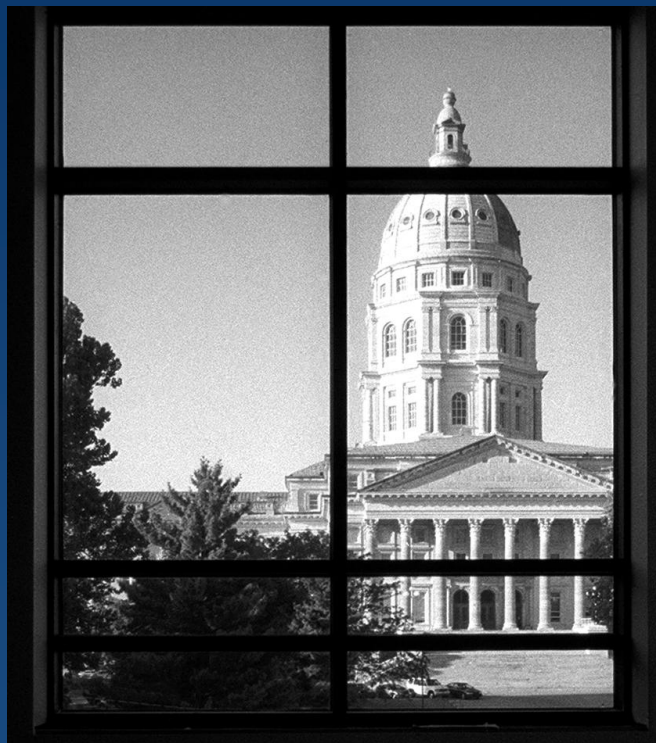


HIT/HIE Update

- Although the ACA does not itself create much in the way of HIT/HIE, many of the programs envisioned rely on sophisticated technological capacity, including the exchange(s)
- The HITECH Act of ARRA
 - \$9M grant to create KHIE
 - \$8M grant to providers for HIE/EHR
- Possible legislation this session to address information privacy, etc.



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Updated 12.15.10