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## The American Health Benefits Exchange in Arkansas • September 2010

*There are many reasons why over 500,000 Arkansas residents are either without insurance, are without adequate insurance, or remain uninsured for long periods of time. Some of these reasons include the high cost of insurance in the individual market, higher insurance premiums in rural areas, lower incomes, higher rates of poverty, and less employer-provided insurance – mainly due to small businesses being unable to afford to offer coverage.*

### HEALTH INSURANCE EXCHANGE

To mitigate the many negative health effects due to lack of access to insurance, the health insurance exchange will provide a new option for individuals and small businesses to purchase health insurance coverage through a one-stop-shopping health insurance resource.

By January 2014, states are required to establish, as an agency or nonprofit entity, health insurance “exchanges” for individuals and for small businesses. States may form regional exchanges or allow more than one exchange in a state (this would require set up in distinct geographical areas). If Arkansas does not choose to operate and regulate a state or regionally-based exchange, the federal government will operate one. The goal for exchanges is to provide universal coverage options to individuals and small business employees who otherwise may not have access to insurance. The individual and small business exchanges, although referred to separately in the Patient Protection Affordable Care Act (PPACA), may be combined into one exchange.

### Eligibility & Enrollment

Individuals who cannot access qualified insurance through their employer, public programs (Medicaid or Medicare) and small businesses with 100 or fewer employees will be eligible to participate in the exchange on January 1, 2014. States may expand access to the exchange to employer groups with over 100 employees in 2017. Initial open enrollment and ongoing annual open enrollment will be determined by the US Department of Health and Human Services (HHS). Special enrollment periods will be allowed for Native American Indians and for those with qualifying events.

### Qualified Health Plans

The exchange must offer qualified health insurance coverage and is barred from making any non-qualified plans available. Steps will be taken to ensure Qualified Health Plans (QHP) meet premium cost increase regulations. For example, QHPs must submit justification prior to any premium increase, which will be posted on the website of the insurer and that of the exchange. Each QHP in the exchange will be required to present summary health plan information in culturally and linguistically appropriate 4-page standard format. HHS will determine a minimum essential benefits package that will be required in all QHPs.

### HEALTH INSURANCE EXCHANGE TIMELINE

- 2011—States adopt exchange legislation and begin implementing exchanges
- 2013—HHS determines if states will have operational exchanges by 2014; if not, HHS will operate them
- 2014—Exchanges become operational
- 2014—Essential Health Benefits required for qualified coverage
- 2014—Premium subsidies and tax credits for exchange plans
- 2014—Justification required prior to any premium increase for insurance carriers who participate in exchanges
- 2014—Individuals required to have health insurance or face penalties
- 2014—Employers face penalties if not meeting coverage responsibilities
- 2017—States may design waivers for alternative coverage programs

## Functions of the Exchange

The exchange will certify, recertify and decertify health plans as QHPs. The exchange will offer a toll-free telephone hotline for assistance and an internet website/portal that will allow persons to enroll in health plans, compare information between QHPs offered, and calculate actual cost of coverage after premium and tax credit deductions are applied. The exchange will be able to inform individuals of eligibility requirements for other health plan options such as Medicaid, Children's Health Insurance Program (CHIP) or any other applicable state or local public program, and will automatically enroll eligible individuals. Because small businesses will be able to utilize the exchange, it will communicate employee enrollment status with employers on a regular basis.

## Quality and Cost Reporting

QHPs must strive to provide quality health care through a variety of methods and report plan activity to the exchange. Quality improvements should assist in improving patient outcomes through case management, care coordination and in some cases, use of a medical home model. Additionally, the intent of the Act is to enhance patient safety and reduce medical errors through the use of best practices, evidenced-based medicine, and health information technology. Using this information, the exchange will assign a rating to each QHP offered, based on quality and price, and publish it for individuals to view and compare among plans in the exchange. In addition, the exchange will publish the average cost of QHPs licensing, regulatory fees, and other payments required, including administrative costs. Information on waste, fraud, and abuse will also be published.

## Subsidies

Sliding scale premium subsidies will be offered for individuals and families with annual incomes up to 400% of the federal poverty level, or those whose insurance costs are more than 9.5% of income. No policy cancellation fees will be applied if an individual becomes eligible for minimum essential coverage through another policy. Agents and brokers may enroll individuals and small business in exchange plans and assist in applying for premium subsidies, tax credits and cost-sharing reductions for plans sold in the exchange.

## OTHER PROVISIONS

### Funding

Grant funding for initial exchange planning activities will be awarded to states by HHS. Funding will be renewable if HHS determines a state is progressing. Exchanges must be self-sustaining by January 1, 2015. The Act allows the exchange to charge insurance issuers an assessment or user fee for participating in the exchange, but the funds collected can only be used for administration and operational expenses.

### Consumer Navigators

States will establish consumer navigator programs to engage in education, marketing, and enrollment activities as well as facilitate enrollment and make referrals as needed. Insurance agents and brokers may be potential navigators, but may not serve as a navigator if they are paid in any way directly or indirectly in connection with enrollment in an exchange-provided plan. Navigators must be "qualified, and licensed if appropriate."

### Additional Benefits

Exchanges offer QHPs that may require benefits other than the essential benefits specified in the Act. States may also require additional benefits in order to be a QHP; however, the state must assume the cost. In other words, the extra cost of these benefits cannot be passed on to the individual enrolled.

### Other

Federal government may only offer members of Congress and their staffs plans created under the PPACA or offered through an Exchange.

## CONCLUSION

Over the next year, Arkansas will assess which direction it will take in designing, operating and regulating the American Health Benefits Exchange. This overview only touches on the most prominent aspects of the exchange that will impact Arkansans. Other provisions and specific regulations concerning the exchange will be forthcoming as PPACA is implemented.

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