EXCHANGE BASICS

NAIC

August 5, 2010

Establishing an Exchange

- Each state, if they choose, may establish American Heath Benefit Exchanges in the individual and small group markets by January 1, 2014. These Exchanges may be merged if the state desires.
- Each state must notify the Secretary of HHS whether it plans to operate a qualified exchange in 2012 so that the Secretary can begin developing a federally-run Exchange by January 1, 2013.
- Not later than 1 year after the date of enactment (March 23, 2010) the Secretary shall award grants to states to assist in the planning and establishment of the Exchange. These grants may not be used for operating the Exchanges. Planning grants of up to $1 million have been announced with applications due September 1, 2010. These funds will be available September 30, 2010.

Exchange Operation

- The exchange must be operated by a governmental agency or nonprofit entity. A state may create multiple exchanges serving different geographic areas, combine the operations of the individual and small group exchanges, or even create regional exchanges with other states.
- The Exchange must provide for:
  - Initial open enrollment period
  - Annual open enrollment period
  - Special enrollment periods
- All plans sold through the exchange (other than dental-only plans that provide pediatric coverage) must be certified as a "Qualified Health Plan" that:
  - Provides the Essential Benefits outlined in the law
  - Is licensed and in good standing in the state
  - Agrees to offer at least one Silver and one Gold plan (see below)
  - Agrees to charge same price inside and outside of the exchange
- The exchange will make the following levels of coverage available:
  - Bronze (covers 60% of actuarial value of benefits)
  - Silver (covers 70% of actuarial value of benefits)
  - Gold (covers 80% of actuarial value of benefits)
  - Platinum (covers 90% of actuarial value of benefits)
  - Catastrophic (high deductible plan for young)

Exchange Functions

- At a minimum, an exchange must:
  - Implement procedures for certification, recertification and decertification of health plans
  - Operate a toll-free hotline
  - Maintain an Internet website with standardized plan information
  - Assign a quality rating to each plan
  - Utilize a standardized format for presenting options
  - Inform consumers of their eligibility for Medicaid, CHIP and other applicable state or local public health programs
  - Make available a calculator to determine the actual cost of coverage after subsidies
  - Grant a certification attesting that the individual is not subject to the coverage mandate because –

        - There is no affordable option available, or
        - The individual is exempt from the mandate
    - Transfer to the Treasury a list of individuals exempt from the individual mandate and employees eligible for tax credit
    - Provide to each employer the names of employees eligible for tax credit
    - Establish a Navigator program

Addressing Risk

- Transitional Reinsurance Program
    - The Secretary, with NAIC, to establish a mandatory reinsurance program for 2014-2016
    - Insurers and TPAs must contribute – payments made to non-grandfathered non-group plans that cover high risk
    - Total contributions to be based on estimates of the NAIC
- Temporary Risk Corridors
    - Secretary to establish risk corridors for 2014-2016
- Risk Adjustment
    - Each state will operate risk adjustment based on criteria developed by the Secretary in consultation with states

Federal Regulations

- The Secretary of HHS shall establish criteria for the certification of qualified health plans that includes:
    - Meet marketing requirements and not discourage enrollment in plan by those with significant health needs
    - Ensure sufficient choice of providers (no requirement to contract if provider does not accept payment rates)
    - Include in network essential community providers
    - Be accredited by entity recognized by the Secretary
    - Implement quality improvement strategy in PPACA
    - Utilize uniform enrollment form in PPACA
    - Utilize the standard format for presenting plan options
    - Provide information on quality measures

- The Secretary shall develop a rating system to measure quality and price – also used for Web Portal
- The Secretary shall develop an enrollee satisfaction survey system for plans with more than 500 enrollees
- The Secretary shall assist states in the development of Internet portal – and continue operation of federal Web Portal
- The Secretary shall define the Essential Health Benefits that must be in a Qualified Health Plan

Key Issues for State Consideration When Developing an Exchange

- Governance
- Roles of Various State Agencies
- Additional Functions of the Exchange
- Additional Information for Consumers
- Regulation of the Outside Market
- Multi-State Exchange or Subsidiaries
- Mandated Benefits
- Funding of Operations