

Making Exchanges Work

What Is An Exchange?

An exchange is a marketplace where you will be able to shop for health insurance. Each exchange will have a website where individuals will be able to shop for insurance. Starting in 2014, exchanges will make shopping for insurance easier by offering standard comprehensive benefits, with at least four tiers of coverage:

- Platinum plans pay for 90% of your expected costs
- Gold: 80% of your expected costs
- Silver: 70% of your expected costs
- Bronze: 60% of your expected costs
- States may also offer a catastrophic plan to those under 30, and/or a basic plan for the uninsured with incomes 133-200% of FPL

This standardization will allow consumers to make “apples to apples” comparisons between plans.

Why Are Exchanges Important?

Exchanges are a cornerstone of healthcare reform (also known as “PPACA” or “the Affordable Care Act”). They will expand the number of people with health insurance by making it easier for individuals to purchase affordable care. Small employers may choose to insure their employees on the exchange starting in 2014. In 2017, states may allow large employers to insure their employees on the exchange.

- Beginning in 2014, each state will be required to have its own exchange. If they do not, the federal government will establish one for them.
- Exchanges will determine who meets the federally-mandated eligibility criteria for subsidies, and for employer penalties.
- Exchanges are also responsible for certifying Navigators, or impartial entities that help consumers use the exchanges.

Why Should You Be Concerned About Your State’s Exchange?

States will have considerable freedom to design their own exchanges. For instance:

- It will be up to states whether to be an “active purchaser” or not. In other words, a state could use its bargaining power to make sure that only the best-value plans are offered in the exchange. Or, a state could take a hands-off approach, allowing in any plan that meets the minimum criteria for inclusion. This decision will determine the price and quality of plans available in a state’s exchange.
- States can create one exchange for both individuals and small businesses, or it can create two separate exchanges.
- States decide how their exchanges will be governed, and will determine who serves on their governing boards.
- States can create exchanges that are difficult or easy to use.

What Kind of Exchange Should We Advocate For?

Here are some recommendations for an effective exchange:

GOVERNANCE

Each exchange should:

- Include key stakeholders, labor and consumer representatives on its governing board, and give them decision-making power.
- Require that the actions of the exchange governing board be transparent, with public meetings and publicly available documents.
- Make it easy for the public to give input on the exchange, and take that input seriously.

INSURANCE

- State exchanges should be active purchasers. Active purchasers use their bargaining power to get the highest-quality insurance coverage for the lowest prices. State exchanges can become active purchasers by insisting that plans offered in the exchange cost the same as or less than plans offered outside the exchange, setting standards for minimum benefits packages and otherwise requiring high value of all plans sold on the exchange.
- For instance, Massachusetts requires all plans sold in its exchange to earn the Massachusetts Connector's "Seal of Approval" by meeting quality, cost-efficiency, licensure and transparency requirements.¹
- If your state is considering legislation on exchanges, push for language requiring the exchange to be an active purchaser. If your state already has exchange legislation, encourage the exchange's governing body to make it an active purchaser.
- Exchanges should not let their decisions be influenced by insurance company brokers, salespeople, or lobbyists.
- Exchanges should certify effective Navigators, and make sure that the Navigators truly represent the consumers, not the insurance industry. Unions should consider applying for Navigator certification.

EASE OF USE

- Exchanges should be designed to succeed. They should be easy to use, with clear, accurate and concise information about the plans offered.
- Exchanges should be able to effectively accommodate people who do not speak English, who have limited literacy in any language, and who have disabilities that would make it difficult for them to use the website and toll-free telephone number required by PPACA.
- The federally-mandated "enrollee satisfaction system" should be taken seriously, with modifications to exchange operations made in response to consumer feedback.
- Exchange websites should easily allow people to see if they are eligible for a subsidy, Medicare, Medicaid or the Children's Health Insurance Program.
- Exchanges should have a plan to efficiently and humanely handle people who transition between the exchange and publicly-funded programs such as Medicaid. People's insurance coverage should be allowed to remain as stable as possible, despite fluctuating incomes.

¹ Corlette, Sabrina; Joan Alker, Joe Tuschner and JoAnn Volk. "The Massachusetts and Utah Health Insurance Exchanges: Lessons Learned," Georgetown University Health Policy Institute, March 2011. www.rwjf.org.