



## THE AFFORDABLE CARE ACT (ACA)

AUTHORIZES NEW COMPETITIVE INSURANCE MARKETPLACES AT THE STATE LEVEL, CALLED "EXCHANGES," AND PROVIDES A BASIC FRAMEWORK AND INITIAL FUNDING TO STATES TO BEGIN PLANNING. WITHIN THIS FRAMEWORK, STATES HAVE CONSIDERABLE FLEXIBILITY TO STRUCTURE AN EXCHANGE THAT MEETS EACH STATE'S INDIVIDUAL NEEDS. THIS ISSUE BRIEF EXPLAINS WHAT A HEALTH INSURANCE EXCHANGE IS, HOW IT WILL WORK, AND HOW IT HAS THE POTENTIAL TO PROVIDE AN AFFORDABLE PATHWAY TO HEALTH INSURANCE FOR GEORGIA CONSUMERS.



## What is a health insurance exchange?

A health insurance exchange is a mechanism—akin to a health insurance shopping mall—for restructuring the health insurance market to better facilitate competition and consumer choice. There are two types of exchanges authorized by the ACA: one to serve individual consumers (American Health Benefits Exchange, or AHBE) and one to serve small businesses (Small Business Health Options Program, or SHOP). Georgia has the discretion either to design these as separate exchanges or as one consolidated entity. If Georgia chooses not to establish an exchange, Georgia consumers will instead have access to a federally run insurance exchange. The idea behind the individual exchange is to provide a way for consumers who don't have a health plan provided by their employer to access affordable health insurance. On the small business side, the exchange can help small businesses pool their buying power and provide employees within the same firm with multiple health plan options. While Georgia is currently weighing options for both the small business and individual exchanges, this issue brief focuses primarily on the individual health insurance exchange.

## Who is eligible for the individual exchange?

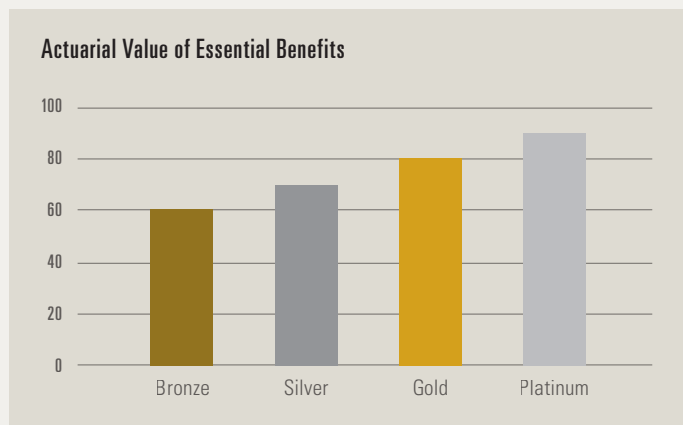
The individual exchange will be open to individuals and families who don't already have access to a health insurance plan through their workplace. About 350,000 Georgia consumers purchase individual health insurance plans today, and these consumers will be eligible for the exchange. Further, many of the roughly 1.9 million Georgians who are currently uninsured will be able to access a health plan on the exchange. More specifically:

- Individuals and families will be able to purchase insurance on the exchange, regardless of whether they have a pre-existing condition, and will enjoy the peace of mind that all plans are certified and feature strong consumer protections
- Individuals and families with incomes up to 400% of the federal poverty level (FPL), or roughly \$74,120 in annual income for a family of three, will receive tax credits that can be applied directly to the plan premiums at the time of enrollment
- Individuals and families with incomes below 133% of FPL, or about \$24,644 in annual income for a family of three, will be eligible for Medicaid and will be enrolled in that program through the exchange
- Children in families with incomes up to 235% of FPL, or about \$43,545 in annual income for a family of three, will remain eligible for PeachCare for Kids™ or Medicaid, depending on their family income level, and will be enrolled in one of these programs through the exchange

## What types of insurance plans will be available on the exchange?



The exchange will provide access to a range of commercial health insurance products, and under the ACA, all plans (both inside and outside the exchange) will be “guaranteed issue,” meaning that insurance companies cannot deny coverage due to a pre-existing condition. Within the exchange, health plans will be organized in tiers based on “actuarial value.” Actuarial value is an objective measure of the generosity of an insurance plan and is the percentage of health care costs that a plan would pay out for a standard population. Plans can provide different benefits and have different deductibles or co-payments and still have the same actuarial value, allowing consumers to choose a plan that works best for their health care needs. However, all plans must provide a minimum essential benefits package. The U.S. Department of Health and Human Services and the Institute of Medicine, a nongovernmental medical advisory group, are currently in the process of determining these minimum essential benefits, with regulations expected before the end of 2011. Some consumers seeking insurance on the exchange will be eligible for Medicaid or PeachCare for Kids™ and can enroll in these plans on the exchange as well.



Source: CRS analysis of the Patient Protection and Affordable Care Act.

## Individual health insurance is expensive. How will consumers afford the products offered on the exchange?

First, insurance companies will not be able to charge consumers more for health insurance because of their health status. Second, while the exchange is not required to negotiate with insurance companies, the state could give the exchange the authority to leverage its volume of enrollees to drive bargains with insurance companies. Third, many consumers will be eligible for substantial tax credits that can be applied to plans sold through the exchange. The tax credits have a unique structure, operating on a sliding scale and limiting the amount that a consumer will pay for the insurance premium to a percentage of income. A table displaying how the tax credits will work is below. The tax credit is pegged to a benchmark plan (the second lowest-cost silver plan, which would have 70% actuarial value, on the exchange). Consumers wishing to purchase a more generous plan could still do so, however they would not receive an additional tax credit to apply toward the additional amount of that plan. Lower income consumers will also receive assistance with deductibles and co-payments. Tax credits would phase out at 400% of FPL, but consumers with income in this range will still be able to purchase health insurance on the exchange and benefit from the information, tools, and consumer resources available there.

INCOME*	PREMIUM AS A % OF INCOME
Up to 133% FPL	2% of income
133 to 150% FPL	3 to 4% of income
150 to 200% FPL	4 to 6.3% of income
200 to 250% FPL	6.3 to 8.05% of income
250 to 300% FPL	8.05 to 9.5% of income
300 to 400% FPL	9.5% of income

\*The FPL for a family of three is \$18,530 in 2011.

## What will Georgia's exchange look like?

In June 2011, Governor Deal issued an Executive Order creating the Georgia Health Insurance Exchange Advisory Committee to assess whether Georgia should create a state-based health exchange, or defer to a federally established exchange. The committee's recommendations are due at the end of the year, and there may be legislation in 2012 establishing a Georgia exchange. Thus, the specifics of Georgia's exchange have not yet taken shape, and there will be opportunities for consumer and patient advocates to weigh in. While an ACA-compliant state-based exchange would be more tailored to the needs of our state, under either a state-based or federally-based approach, consumers can expect the exchange to begin operations in 2014.

### SOME OF THE CORE FUNCTIONS OF THE EXCHANGE INCLUDE:

- The ability to enroll individuals and small businesses into health insurance plans
- Providing information, services, and tools, including a web portal, to navigate consumers through the process of selecting and enrolling in a plan
- Providing an online calculator so consumers can calculate their premiums after factoring in a new tax credit that will be available to make coverage more affordable

- Displaying information about health plan costs, benefits, and quality and satisfaction ratings in a consumer friendly manner
- A toll-free consumer assistance hotline
- Certification that plans available on the exchange have adequate provider networks
- Certification that plans available on the exchange have at minimum a core set of benefits, which will be specified in an essential benefits package that the Institute of Medicine is currently developing, plus any additional services that Georgia mandates
- Presenting plan options in tiers (platinum, gold, silver, bronze) so that consumers can objectively identify which plans are more comprehensive than others and select a plan that best meets their needs
- Providing plain language information on enrollee rights, claims denials, and other consumer protections

# How will the exchange benefit Georgia consumers?

A WELL-DESIGNED GEORGIA HEALTH INSURANCE EXCHANGE WILL:

## + ADD TRANSPARENCY

to the market by providing information about the health insurance options available in an easy-to-use standardized format, rather than in insurance jargon, so that consumers can make apples-to-apples comparisons

## + INFORMATION AND TOOLS

provide information and tools to help consumers make informed choices and determine eligibility for tax credits, and calculate the monthly premium after the tax credit is applied

## + MORE AFFORDABLE

make health insurance more affordable for many consumers through tax credits and additional help with co-payments and deductibles

## + COMPETITION & ACCOUNTABILITY

increase competition based on value and hold insurance companies accountable by certifying that plans meet standards regarding provider networks and benefit packages

## + NAVIGATION & ASSISTANCE

provide navigation and assistance for consumers not only with enrollment but also with questions or grievances

*Georgia has taken an important first step by forming the Georgia Health Insurance Exchange Advisory Committee, and we encourage policymakers to continue to move forward with this opportunity to improve insurance choice and affordability for Georgia consumers.*

### 5 GOALS

## What should policymakers focus on to build a successful exchange?

While building an exchange is a complex process, the five goals below would facilitate the development of a consumer-friendly exchange that serves as a vital, long-term solution to the problems of affordability, quality, and limited access to health coverage:

- 1** Create a governance structure, such as an Authority, that can transparently and effectively oversee the exchange without any conflict of interests; insurance companies or other businesses that have a direct financial stake should not serve on the governing body
- 2** Provide structured choices that supply the information and tools consumers need to make optimal purchasing decisions, including quality and customer satisfaction ratings as well as information about price and benefits
- 3** Create incentives for insurance companies to compete based on value rather than by selecting the healthiest applicants: consider leveraging volume within the exchange to drive better deals with insurance companies; consider crafting exchange participation rules to allow the highest quality and value plans to participate; and align regulations inside and outside the exchange to eliminate incentives to steer consumers outside the exchange
- 4** Serve as an easy-to-use, one-stop-shop and provide navigation assistance to programs like PeachCare for Kids™ and Medicaid where appropriate to ensure that all individuals and families eligible for these programs enroll
- 5** Develop a robust outreach and enrollment mechanism to ensure that low-income and minority communities that historically have had the highest rates of uninsurance are engaged and that consumers in rural areas, without internet access, or with limited English proficiency can still enroll in the plan that best meets their needs

## Want to learn more or get involved in this issue?



- The Georgia Health Insurance Exchange Advisory Committee meetings are open to the public. To find the meeting schedule and previous meeting presentations, visit [www.healthreform.ga.gov](http://www.healthreform.ga.gov)
- Sign up to receive updates and action alerts from Georgians for a Healthy Future. You can sign up at [www.healthyfuturega.org](http://www.healthyfuturega.org)
- Contact the Governor's Office and make your voice heard by asking the Governor to build a consumer-friendly health insurance exchange in Georgia

## KEY DATES

2010	MARCH	» Affordable Care Act signed into law
	SEPTEMBER	» Governor's Office of Planning and Budget received a \$1 million planning grant to begin assessing whether Georgia should establish an exchange
2011	MARCH	» Legislation establishing an exchange structure in Georgia was introduced but did not pass
	JUNE	» Governor Deal issued an Executive Order creating the Georgia Health Insurance Exchange Advisory Committee
	JULY	» Department of Health and Human Services released proposed rules regarding the exchange, providing flexibility to states
	SEPTEMBER	» Preliminary report of the Georgia Health Insurance Exchange Advisory Committee due
	DECEMBER	» Final report of the Georgia Health Insurance Exchange Advisory Committee due
2012	JANUARY-APRIL	» If policymakers decide to move forward with a Georgia state-based health insurance exchange, legislation may be necessary during the 2012 General Assembly session
	DECEMBER	» Deadline for Level II funding grants from the Center for Consumer Information & Insurance Oversight
2013	LATE 2012/EARLY 2013	» State readiness will be determined by the Center for Consumer Information & Insurance Oversight
2014	JANUARY	» Exchange begins operations

This issue brief was written by Cindy Zeldin, Executive Director of Georgians for a Healthy Future.

Georgians for a Healthy Future (GHF) is a nonprofit health policy and advocacy organization that provides a voice for Georgia consumers on vital and timely health care issues. GHF approaches its goal of ensuring access to quality, affordable health care for all Georgians in three major ways:

- 1) outreach and public education,
- 2) building, managing, and mobilizing coalitions, and
- 3) public policy advocacy.

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