

Flexibility for State-Run Exchanges

In recent days, opponents of the Affordable Care Act have raised questions about States' ability to design health insurance Exchanges that meet their needs. Make no mistake: the State-based health insurance Exchanges called for in the Affordable Care Act will give States substantial flexibility to establish Exchanges that meet the unique needs of their residents.

States will determine which insurers are permitted to offer products in the Exchanges. Under the law, States will have wide latitude to run their own insurance marketplaces and determine which insurance companies may operate in the new State-based Exchanges. Utah and Massachusetts, for instance, already operate their own Exchanges. And while they've taken different approaches, with Utah allowing all insurers to participate and Massachusetts having stricter standards, both models could meet the goals of the law.

States can choose benefit rules that meet the needs of their citizens. The Affordable Care Act ensures health insurance plans offered in the Exchanges provide at least what a typical employer currently provides today. Accordingly, the benefits offered through the State-based Exchanges will reflect what is offered today in the private sector. States have flexibility to go beyond that minimum standard and determine what, if any, additional benefits insurance companies that sell policies in the Exchange must provide. States that choose to require more generous coverage must bear the cost of those benefits.

Consumer-driven health plans and Health Savings Accounts (HSAs) will be available. The new State-based Exchanges will offer individuals, families and small businesses a wide range of plans from lower-cost consumer-driven health plans and those coupled with Health Savings Accounts (HSAs) that tend to have a higher deductibles and higher cost sharing to more comprehensive plans with lower out-of-pocket costs. Exchanges will offer health plans at the "bronze" or basic level, which will expand availability of consumer-driven plans and HSA-eligible plans to new consumers. And, young adults and people for whom coverage would otherwise be unaffordable will have access to catastrophic coverage.

States have discretion over Medicaid coverage. Under the Affordable Care Act, States may structure their Medicaid programs to more closely resemble the private insurance coverage options available in the Exchanges. States can tailor the benefit packages based on private coverage options available in their States – such as the standard Blue Cross/Blue Shield plan, the State employee health plan, and the largest commercial HMO available in the State. States can go beyond these standards to provide additional benefits but are not required to do so.

New funding to establish Exchanges and modernize eligibility systems is available. The law provides full funding for States to conduct planning activities needed to develop an Exchange and funding through 2015 to establish an Exchange. States can also receive funding to update antiquated systems used to verify who is eligible to purchase insurance in the Exchanges and who is eligible for Medicaid benefits. Many States have not updated their Medicaid eligibility systems since the mid-1980s.

Reliable, independent cost estimates are available. The independent, non-partisan Congressional Budget Office (CBO) estimated that the Affordable Care Act would provide health coverage for 32 million uninsured Americans and will reduce the federal deficit by \$230 billion over the next ten years. When fully implemented, health reform has the potential to reduce the overall health care cost trend. And a recent study also projects that in 2014, premiums for individuals, families, and businesses may actually drop compared to what they would have been without the law. For families, this savings could be as much as \$2,266 (\$839 for individuals). Finally, fears about the erosion of employer sponsored coverage are unfounded. The CBO estimates that 24 million Americans will be enrolled in the Exchanges in 2019, compared to 162 million who will continue to receive insurance through the workplace. In fact, repealing parts of the Affordable Care Act could cause 4 to 5 million people to lose employer-sponsored insurance.