



## **Health Insurance Exchanges 101**

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State health insurance exchanges, which will be operational by October 1, 2013, form one of the building blocks of the Affordable Care Act (ACA). Although there are already, and will soon be more, very detailed rules and regulations governing the operations of the health insurance exchanges, everyone should be familiar with the basics.

Health insurance exchanges are essentially online marketplaces where consumers who are not provided insurance by their employers can compare and purchase health insurance plans. The first available plans sold on the exchanges must start covering patients on January 1, 2014. Each state will have its own exchange. States can choose to run their own exchange, have the exchange run by the federal government, or partner with the federal government to run the exchange. Kentucky has chosen to run its own exchange while Indiana and Ohio have opted to have the federal government run theirs.

Under the ACA, many people who do not receive healthcare insurance from their employers will be eligible for federal tax credits to help pay their premiums. State exchanges will have a feature allowing users to determine the tax credits for which they are eligible based upon income. The exchanges will also steer people to Medicaid or Medicare if they might be eligible for those programs.

All insurance plans sold on the exchanges will have to cover a list of "essential health benefits" including preventative services, hospitalizations, doctor visits, prescriptions, emergency room treatment, and maternal and newborn care. Health insurance plans offered on the exchanges will be categorized into four levels: bronze, silver, gold, and platinum. Bronze plans will have the highest deductibles but the lowest premiums. On the opposite end of the spectrum, platinum plans will have the highest premiums but the lowest deductibles.

The state exchanges are different from private exchanges, which predate the ACA and are operated by private parties such as insurers and employers. Private exchanges operate in both the individual and group health insurance markets and are regulated primarily by state insurance law.

Starting in 2014, employers will have to decide whether to offer health insurance to their employees, which must meet a new set of minimum requirements, or to pay a penalty to the federal government and send their employees to the exchanges for individual insurance plans. Employers with 50 or more employees that do not offer health insurance will have to pay an annual penalty of \$2,000 per employee, excluding the first 30 employees. If the employer chooses to offer health insurance, it must not cover less than 60% of costs and the employee's contribution cannot be greater than 9.5% of household income. If the employer plan does not meet these minimum requirements and any of its employees opt out in order to receive tax credits to purchase insurance through the exchanges, the employer will have to pay a fee of the lesser of \$3,000 per employee who receives the tax credits or \$2,000 per employee.

The federal government has yet to work out many of the details of the rules and regulations that will govern the exchanges, which means that the coming months will bring a torrent of new regulations and information regarding the exchanges.