



# Health Policy Snapshot

Health Insurance Coverage

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ISSUE BRIEF

August 2011

## What can help states create health insurance exchanges?

### Takeaways:

- The structure of each state-based health insurance exchange will be tailored to the individual state and likely based on its existing insurance market, as well as its administrative capacity, long-term policy goals and the needs of its residents.
- Eligibility requirements and enrollment procedures for individuals, families and small businesses could impact participation in the exchanges.
- Each exchange should encourage the participation of both consumers and insurers.

### Overview

A major component of the Affordable Care Act (ACA) is the creation of state-based health insurance exchanges—online marketplaces where consumers and businesses can compare and purchase coverage. According to the law, exchanges must be operational in each state by 2014. Individuals with low-to-moderate incomes will receive advanceable tax credits (also referred to as subsidies) to help them afford coverage, and tax credits will be available to small businesses to help them provide insurance to employees. Depending on the criteria established, individuals and small businesses not eligible for

financial assistance may still be able to purchase insurance through an exchange.

The ACA outlines some structural and functional requirements for the exchanges, but states have considerable flexibility in how they are set up and run. Several states – Massachusetts and Utah – set up their own exchanges before the ACA became law. Lessons from these existing state-based exchanges and from eligibility and enrollment with other programs can guide and inform states through their development process.<sup>1</sup>

### CONSIDERATIONS FOR STATES

- **There's more than one way to create an exchange.** States have many options when developing their exchange—from establishing a statewide vs. regional exchange, to separating or combining individual and small business exchanges, to managing their exchange through a public or private entity. All of the options have pros and cons, and lessons can be learned from existing exchanges.
- **Determine the best role for your state.** States can choose how much of a role they wish to play in the management of their exchange, and this decision will significantly shape their health insurance marketplace. If they act as an “active purchaser,” as Massachusetts does through its Connector exchange, states can vet potential health plans that wish to participate and help to control plans' cost and quality. Alternatively,

states can take a “free market” approach similar to Utah’s and allow any plan to participate; the result will likely be a wider, though less regulated, range of options. Ultimately, states should consider their administrative and management capacity, coverage goals and residents’ needs when structuring their exchange.<sup>1</sup>

## IMPORTANT FACTORS IN ENROLLMENT AND ELIGIBILITY

- **Simplicity and consumer-friendliness.** If eligibility determination and enrollment processes are too difficult or confusing, it could discourage consumers—especially those not eligible for subsidies—from participating in the exchange program.<sup>2</sup> In Utah, relatively low enrollment has been attributed to procedural barriers including an application process consumers found very hard to complete.<sup>1</sup>
- **Manageable shopping and enrollment.** One of the strongest features of the established exchanges is the degree of choice consumers have among different health plans. But too many options, or options that are not well presented, could be overwhelming for enrollees.<sup>1</sup>
- **Assistance for first-time exchange customers.** Based on the experiences of both Massachusetts and Utah, individuals and small employers are likely to need guidance as they navigate the exchange for the first time. One-on-one assistance could help streamline enrollment and ensure continued participation.<sup>1</sup>

## ENCOURAGE STABILITY IN EXCHANGE

- **Consider both consumers and insurers.** Exchanges require the participation of both consumers and insurers. An exchange with too many plan options could discourage consumer participation. An overly regulated environment could discourage provider participation in the

exchange, impeding plan diversity and consumer choice.<sup>1</sup>

- **Consider public outreach.** Public education activities could help states attract a critical mass of enrollees, helping to stabilize their exchanges and extend coverage.<sup>1</sup> In Massachusetts, upfront and continued investment in education and outreach—in the form of mailings, literature, advertising and event sponsorship—has been central to the success of that exchange.<sup>1</sup>
- **Be flexible.** Once established, state-based exchange programs are likely to need refinement based on feedback and individual lessons learned. In building the legislation to create an exchange program, states should consider an appropriate level of flexibility.<sup>1</sup>

## WANT TO KNOW MORE?

- [\*The Massachusetts and Utah Health Insurance Exchange: Lessons Learned \(RWJF/Georgetown University Health Policy Institute\)\*](#)
- [\*Health Insurance Exchanges: Implementation and Data Considerations for States and Existing Models for Comparison \(RWJF/SHADAC\)\*](#)
- [\*Designing an Exchange: A Toolkit for State Policymakers \(NASI\)\*](#)
- [\*Toolkit: Building an Effective Health Insurance Exchange Website \(RWJF/BCBSMA\)\*](#)

<sup>1</sup><http://www.rwjf.org/files/research/72105massutah201103.pdf>

<sup>2</sup><http://www.rwjf.org/files/research/70588.pdf>