

# Health Insurance Marketplace

What to expect in 2014



People helping people...it's what we do best





## The basics of exchanges

As part of the Affordable Care Act (ACA or health care reform law), starting in 2014 All Americans must have a minimum amount of health insurance or be taxed by the government. The law also requires each state to have a health insurance exchange where people can buy health insurance coverage. People who don't get health insurance at work, or can't afford it, may be able to get it through an exchange. The exchanges do not replace buying health insurance privately. They are simply a new place to shop and buy health insurance. Recently rebranded as the Health Insurance Marketplace.

*Exchange = a new place to shop for and buy health insurance*

### Three exchange model options

On the exchanges, individuals and small businesses can buy qualified health plans (QHPs). Exchanges can be set up in one of three ways. Each state determines how its exchange will be set up. At this time Michigan plans to follow the federally run model (Option 3 below).

1

#### State-run Facilitator model

- Any carrier meeting minimum federal and state requirements can be in this exchange.
- Carriers compete in an open market.

2

#### State-run active purchaser model

- The state solicits bids from health insurance companies and determines which plans it will offer.
- The state directly negotiates the price and the benefits offered.

3

#### Federally run model

- The U.S. Department of Health and Human Services (HHS) runs the exchange in the states that choose not to create one,



## Four levels of coverage on the exchanges

Exchange plans will be offered in a tiered format. The tiers are named after metals: bronze, silver, gold and platinum. Each tier will have several plans to choose from and will include essential health benefits. Bronze plans will have the lowest monthly premium, but cost shares will be more when health care services are provided. Platinum plans will have the highest monthly premium, but cost shares will be less.

*Exchange plans are tiered:*

*Platinum – 90% coverage*

*Gold – 80% coverage*

*Silver – 70% coverage*

*Bronze – 60% coverage*

All plans must include “essential health benefits” as defined by the health care reform law. Specifically, the plans must include items and services from at least these 10 categories of care:\*

1. Ambulatory patient services
2. Emergency services
3. Hospitalization
4. Maternity and newborn care
5. Mental health and substance use disorder services, including behavioral health treatment
6. Prescription drugs
7. Rehabilitative services and devices
8. Laboratory services
9. Preventive and wellness services and chronic disease management
10. Pediatric services, including oral and vision care

\*Healthcare.gov: *Essential health benefits* (accessed October 2012).





### Five potential functions the exchanges offer:

1. *Plan management*— Consumers will be able to choose qualifying health plans (QHP) sold on exchanges and see important data for each QHP.
2. *Eligibility* – Applicant information is collected and verified to determine eligibility for enrollment, tax credits or subsidies.
3. *Enrollment*— Staff help consumers enroll and send information to health plans as well as transmit information related to premium tax credits and cost-sharing reductions as required by HHS.
4. *Financial management*— Exchanges will perform several financial functions including handling user fees, risk adjustment, reinsurance and risk corridor programs
5. *Consumer assistance*— Staff will manage the exchange website and call centers.

### Exchange timeline

If all goes as planned, exchanges will open for enrollment on October 1, 2013. Coverage effective dates will begin January 1, 2014.

## Individuals

### Three options for health insurance in 2014

The law requires health insurance to be “guaranteed issue.” That means a person (or family) can’t be denied coverage or charged more because of a health condition he or she already has. Individuals not covered by a government health plan have three choices:



Get coverage through their employer, if available.



Buy a plan through either:

- The individual market exchange
- A private market exchange
- The traditional market



Go uninsured and pay a penalty, unless exempt.

## Subsidies and credits for individuals

Those who don't have access to affordable, minimum essential health coverage through an employer can buy a health plan from the exchange and potentially receive a credit or subsidy if they meet income requirements. Credits and subsidies help with the cost of premiums and out-of-pocket health care expenses.

### Income requirements

133% to 400% of federal poverty level

- For an **individual** that equals \$15,282 to \$45,960 per year (in 2013).
- For a **family of four** that equals \$31,322 to \$94,200 per year (in 2013).

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### Cost-sharing

The **cost-sharing** subsidy to help with out-of-pocket health care expenses is available to those who earn up to 250% of federal poverty level and enroll in a silver exchange plan only

### Credit

Those that meet the income level can get a tax **credit** that may be applied to the premium of any level exchange plan (bronze, silver, gold or platinum)

*An affordable health plan = individual's share  
of a single tier premium is no more than  
9.5% of income*

## Penalties for individuals

A key provision of the Affordable Care Act (ACA) is the “individual mandate,” which requires most individuals to purchase health insurance coverage or pay a penalty. Beginning in 2014, the ACA requires most individuals to obtain acceptable health insurance coverage for themselves and their family members or pay a penalty. If you are covered under a health plan offered by your employer, or if you are currently covered by a government program such as Medicare, you can continue to be covered under those programs.

In 2014, legal U.S. citizens who do not have a minimum amount of health coverage will receive a penalty of \$95 or 1% of their taxable income, whichever is greater. Families will pay half the penalty amount for children.

## Penalty timeline

Penalties will increase each year through 2016. In future years, the penalties will adjust annually.

