A LOOK FORWARD TO IOWA'S STATEWIDE HEALTH EXCHANGE

Susan J. Freed
susanfreed@davisbrownlaw
(515) 246-7891

A key component of the Affordable Care Act is the establishment of Statewide Health Insurance Exchanges. For many these new Exchanges are difficult to conceptualize. How will they work? What insurance options will be offered? How can they be used by employers? Iowa is working toward developing a state-federal partnership Exchange. As of the date of this article, Iowa has not yet passed legislation establishing the Exchange but passage is expected this year. The following provides answers to frequently asked questions regarding this new insurance marketplace.

1. What is a "Statewide Health Insurance Exchange"?

Think of the Exchange as a marketplace for individuals and small employers to compare and purchase health insurance coverage. Much like travel websites such as Expedia and Orbitz, the Exchange will give consumers an opportunity to compare prices on comparable health insurance options offered by insurance carriers. Individuals will also be able to use the Exchange to determine eligibility for public programs (hawk-I, Medicaid) and Federal subsidies to be used toward private insurance.

2. What is the purpose of the Exchange?

The primary goals of the Exchange are to simplify the purchase of health insurance by allowing consumers to compare health plans and lower premium costs by increasing competition.

3. Will each State have an Exchange?

Yes. A State that declines to establish an Exchange will have an Exchange established and operated by the Federal government.

4. Why is the Iowa Exchange referred to as a state-federal partnership?

Originally the Act envisioned states would establish a fully state based exchange with those declining to do so having a federal exchange established and offered by the Federal government. Due to uncertainty over whether the legislation would be upheld by the Supreme Court many states delayed planning and were not prepared to implement an Exchange by 2013. The Federal government created a "state-federal partnership" option to allow States who desired an Exchange established and operated by the State to partner with the Federal government in developing the Exchange with the possibility that the

Exchange could eventually become entirely State operated. Iowa hopes to transition to an entirely State operated Exchange by 2015. Until then Iowa will establish the Exchange and make key decisions regarding its structure and implementation with the Federal government providing operational assistance.

5. What is the status of Iowa's Exchange?

Legislation is currently pending in the Iowa Legislature to establish the Exchange. However, the Iowa Insurance Division, Iowa Department of Public Health and Iowa Department of Human Services have been working on planning and implementation issues.

6. When will the Exchange be available?

The Exchange must begin enrolling individuals by October 1, 2013 for coverage starting January 1, 2014.

7. What products will be offered on the Exchange?

Only "qualified health plans" may be offered on the Exchange. A qualified health plan must cover "essential health benefits" and fall within one of four categories:

- Bronze coverage (60% actuarial value)
- Silver coverage (70% actuarial value)
- Gold coverage (80% actuarial value)
- Platinum coverage (90% actuarial value)

These ratings assist consumers in comparing plans (somewhat like "star ratings" in the hotel industry but obviously much more complicated). An insurer who offers products on the Exchange must, at a minimum, offer a silver and gold product. The Exchange will also have catastrophic plans for young adults for whom other coverage may be unaffordable; multi-state plan options; and potentially limited scope dental plans.

8. What are essential health benefits?

Each State may define "essential health benefits"; however, at a minimum the definition must include ambulatory care, emergency services, hospitalization, maternity and newborn care, mental health and substance abuse treatment, prescription drugs, rehabilitative and habilitative services and devices, laboratory services, preventative and wellness services, and pediatric services including oral and vision care. For States who decline to define essential health benefits, the benefits package offered by the largest small group product in the State is used. Iowa declined to define essential health benefits; therefore, the default is the benefits covered through Wellmark's Alliance Select PPO plan.

9. Are individuals or small employers required to purchase insurance through the Exchange?

No; however, individuals who qualify for a Federal subsidy to assist them with health insurance premiums or cost sharing will only receive this subsidy if they purchase their insurance coverage on the Exchange. Additionally, the statute appears to require small employers who qualify for a tax credit based on the amount of premium they pay toward employee health coverage to purchase this coverage on the Exchange starting in 2014 if they wish to continue to receive the tax credit. Regulations implementing this provision have not been released so we do not yet know how the IRS will interpret and enforce this provision.

10. May any business or employer purchase insurance on the Exchange?

No. Currently only "small employers" may purchase insurance on the Exchange; however, beginning in 2017 a State may elect to open the Exchange to other businesses and employers. A "small employer" is defined by the Act as having no more than 100 employees; however, a State may define it differently. The current Iowa definition in the pending legislation limits participation to employers with no more than 50 employees.

11. How does the Exchange work for small employers?

Under the current draft legislation pending in the Iowa Legislature, there is a separate component of the Exchange for small employers. This is referred to as the "SHOP" or "Small Business Health Options Program." Employees of small employers choosing to offer coverage through the "SHOP" would be allowed to select <u>any</u> qualified health plan offered on the SHOP within the level of coverage specified by the employer. For example, an employer could determine it wants to offer its employees "silver" coverage. The employees would be able to choose any product offered on the SHOP within the sliver coverage, regardless of which insurer offers the coverage. This means an employer could have some employees on a Wellmark plan and some on a Coventry plan (assuming both Wellmark and Coventry chose to offer insurance on the SHOP). The Exchange consolidates billing and premium payments for the employer and provides the employer with detailed information regarding the plans chosen by the employees and costs of these plans. Even though the employees have a choice of products, the products are considered "group" plans.

12. Are insurers required to offer health insurance coverage on the Exchange?

No, nothing requires an insurer to participate and offer insurance on the Exchange.

13. Do only insurance products offered on the Exchange have to comply with the elimination of pre-existing conditions and limitations on underwriting?

No. Beginning in 2014, no health insurance plan or product may impose a pre-existing condition exclusion on anyone, regardless of whether the coverage is offered inside or outside the Exchange. The same is true for the new underwriting requirements. The Act significantly limits underwriting of non-grandfathered individual insurance and small group insurance products offered on and off the Exchange. In addition, non-grandfathered individual and small group plans offered outside the Exchange will have to offer essential health benefits.

14. Will coverage on the Exchange be more expensive than comparable coverage purchased outside the Exchange?

We don't know. Because many of the Act's requirements apply equally to non-grandfathered coverage outside the Exchange and coverage on the Exchange (see Q-13) it is uncertain how the costs will vary.

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