

**SRJ 35: Study of Health Care**  
***Federal Reforms: A Look at Health Insurance Exchanges***  
Prepared for the Children, Families, Health, and Human Services Interim Committee  
November 2009

*Background*

Buying health insurance is no easy task, even for people who have coverage through their jobs. Those individuals typically choose from a few options offered by their employers each year. People and small businesses buying insurance on their own, however, must sort through numerous policies to find one with the coverage they need, at a price they can afford.

People who have insurance through their jobs face a different problem, though. They could lose their coverage if they lose or change jobs or their employer stops offering insurance.

In recent years, some groups have suggested that a health insurance exchange would solve many of the problems individuals and small businesses have in buying and keeping health insurance coverage. They see such an exchange as a clearinghouse where people could easily compare and evaluate the coverage and costs of a variety of policies that have been approved for sale through the exchange.

Supporters say an exchange would help both individuals and small businesses find affordable coverage that meets their needs. And a policy purchased through an exchange would be tied to the person rather than an employer, so people could keep their coverage even if they didn't keep their jobs.

The idea has gained favor in Congress, where the pending health care reform bills include provisions for a health insurance exchange ut take different approaches to some elements.

*The House Version of the Health Insurance Exchange*

The House's Affordable Health Care for America Act proposes a national health insurance exchange that would offer a choice of health insurance plans with standardized benefits. The exchange would be open to small employers and to individuals who don't have other acceptable coverage.

Business with up to 25 employees could buy insurance through the exchange in its first year of operation. Businesses with up to 50 employees could participate in the second year, and firms with up to 100 workers could participate in the third year of operation. (Pp. 157-162)

The bill requires the federal government to create a Web site where consumers could compare the different policies offered in the exchange and easily evaluate the costs and coverage of each policy. The federal government also would set up a toll-free hotline to answer consumer questions about the policy options. (Pp. 187-188)

The bill gives states the option of creating their own health insurance exchanges instead of participating in the national exchange. Starting in 2015, states could also enter into regional insurance compacts if they have passed laws specifically authorizing participation. (P. 204)

Both the national exchange and the regional compacts have the potential to affect state-based requirements for insurance coverage, as follows:

- A state that wants any of its mandated benefits to be included in plans offered through the national exchange must reimburse the federal government for any resulting increase in the federal subsidies paid to people who qualify for premium assistance. (Pp. 170-171)
- Regional compacts must meet the laws and regulations of the state that the insurer designates as the primary state for the compact. Thus the laws of other participating states may not be reflected in policies sold by a regional compact. The bill requires that people be notified that a compact policy may not be subject to the laws and regulations of the state in which they live. (P. 204)

*The Senate Exchange: More Power to the States?*

America's Healthy Future Act of 2009, in the Senate, also creates health insurance exchanges that would offer a set of standard benefit packages to people buying insurance on their own or through a small employer. However, the bill places the responsibility for creating the exchanges on the states, rather than on the federal government. If a state operates one exchange that covers both individuals and small businesses, it must have separate resources for helping individuals and employers. The individual and small employer exchanges also could operate in more than one state, with agreement from the states and the approval of the federal government. (P. 37, Report of the U.S. Senate Finance Committee on America's Healthy Futures Act of 2009, Oct. 19, 2009)

A business with up to 100 employees would be considered a small employer. However, states could lower that threshold to 50 employees in 2015. (P. 35)

The Senate bill also allows for the creation of regional insurance compacts and requires that people be notified that a policy sold through a compact may not meet all the laws and requirements for policies issued in their states. (P. 32)

Similar to the House bill, the Senate bill proposes to create an Internet site for comparison of health plans and to set up call centers to help people with their questions. But the federal government would enter into an agreement with each state that details the role of the state, the federal agency, and the exchange in:

- establishing the exchange;
- publicizing the insurance products;
- assisting people with enrollment; and
- determining who is eligible to buy insurance through the exchange and who is eligible for premium subsidies. (P. 38)

Thus the Senate bill leaves open the possibility of a much greater role for the states in the operation of an exchange.