AFSCME Facts

Health Insurance Exchanges: New Frontier in Health Care Reform

One of the most promising components of the new Affordable Care Act health reform law is the expansion of health coverage it represents for those who were previously uninsured. Health insurance exchanges will be a primary mechanism (along with Medicaid expansion) to achieve this goal.

These state-based exchanges are meant to help provide health insurance coverage for millions of individuals and employees of small businesses. According to the law, exchanges are to be operational by 2014, but HHS must certify which states are ready for operational status by 2013, or the fallback of a federal exchange may be operated in states which are not ready or that do not choose to run their own exchanges.

This tight timeline makes the next two years critical for states' capacity to create and operate their own exchanges. As of July, 2011, only 14 states (CO, CT, HI, IL, MD, MS, NV, ND, OR, VT, VA, WA, WV, WY) have enacted legislation to establish exchanges, though Massachusetts and Utah were already operating exchanges prior to passage of the ACA.

A few states have taken the non-legislative route toward an exchange, with governors issuing executive orders to establish one. The next 18 months will be crucial for the remaining states to make progress toward creating the infrastructure to operate an exchange.

The law provides that exchanges can be established within an existing state agency, as an independent public entity or as a non-profit. AFSCME takes the strong position that exchanges should be publicly-operated, because of the inherently-governmental functions with which they are charged, including eligibility for benefits/subsidies, review of appeals, etc. These functions include review of sensitive personal information and should be subject to the highest form of accountability, which also argues for public operation.

There will need to be strong coordination between the exchange and the state's Medicaid agency, because there will be much fluidity among lower-income exchange participants receiving subsidies and Medicaid beneficiaries. Subtle changes in income will cause some individuals to cycle between the two sources of coverage, and it is critical that there be no disruption in coverage, hence the need for close coordination. Many states are considering having their Medicaid agency also determine eligibility for exchange subsidies, but all realize that seamless coordination is necessary.

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American Federation of State, County and Municipal Employees, AFL-CIO
1625 L Street, N.W., Washington, D.C. 20036-5687 www.afscme.org TEL (202) 429-1145 FAX (202) 429-1120

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HHS is working closely with states to provide technical assistance to build the foundation necessary for operational exchanges by the 2014 deadline. Every state except Alaska (because it did not apply) received a planning grant of up to $1 million from the federal government to think through some of the issues necessary for launching an exchange. A few states have now done the initial work to qualify for more substantive, second stage grants.

HHS has recently issued the first set of proposed regulations regarding creation/operation of exchanges and AFSCME is giving feedback to the agency about how these proposed regulations may impact union members and all working families.