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# The ACA and California's Health Benefit Exchange: An Update

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# Exchanges Serve Two Distinct Markets

- Individual purchasers

- A core population will be eligible for tax credits (premium subsidies) only if they purchase through the Exchange
- On a voluntary basis, all legal residents may purchase individual coverage through the Exchange

- Small employers

- Small, low-wage firms (up to 25 FTE, up to \$50k average annual wages) will be eligible for tax credits to offset employer contributions only if they purchase through the Exchange
- On a voluntary basis, all small employers may purchase through the Exchange

# Federal Law Defines Role of Exchanges

- Provide means by which consumers can conveniently choose among competing plans
- Certify “qualified health plans” to be offered through Exchange
- Inform consumers of eligibility requirements for public coverage programs; screen and enroll if eligible
- Determine eligibility for:
  - Premium tax credits
  - Reduced out-of-pocket cost-sharing
  - Exemptions from individual mandate

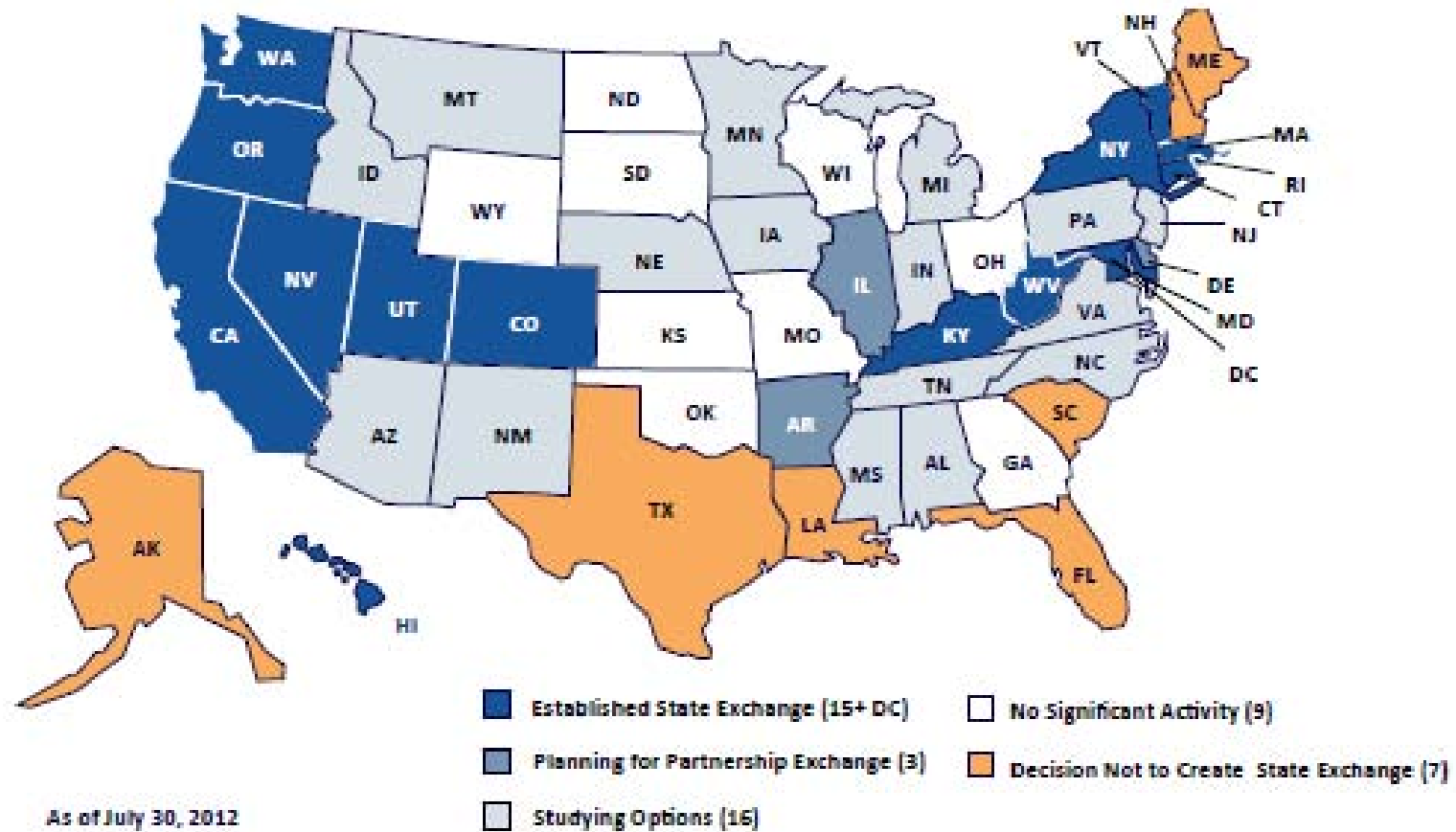
# Federal Law Imposes New Benefit Structure

- All\* plans, inside and outside the exchange, must offer specified “essential” health benefits
- All\* plans must conform to one of four “precious metal” coverage levels based on actuarial value: Bronze (60%); Silver (70%); Gold (80%); or Platinum (90%)
- A lower-cost catastrophic plan may be sold only to people under age 30, and those who qualify for affordability exemption

\* Only “grandfathered” plans, in existence 3/23/10, are exempt.

# Activity in Other States

## State Action Toward Creating Health Insurance Exchanges



Source: Kaiser Family Foundation

# California Law Extends Federal Provisions

- CHBE will use a competitive process to select carriers / plans that offer “optimal combination of choice, value, quality, and service”
- CHBE has authority to standardize the products to be offered through the exchange
- Requirements, intended to protect Exchange from adverse selection, are imposed on insurance carriers:
  - *Carriers that participate in Exchange* must sell coverage at all “precious metal” levels, inside and outside the exchange
  - *Carriers that do not participate in Exchange* may not sell catastrophic-only policies. If exchange standardizes plans, they must sell one standardized plan at each “metal” level.

# ACA and “Essential Community Providers”

- In general, Exchange-offered plans must:
  - Include “essential community providers” in their networks
  - Pay Medi-Cal prospective payment system (PPS) rates
- However, it appears there will be exceptions:
  - Plans and FQHCs may mutually agree on a rate less than PPS -- **IF** it is no less than plan’s generally applicable rate
  - Kaiser and other closed-network plans may be exempt -- **IF** they otherwise meet access and network adequacy standards for low-income enrollees

# Issues on the Horizon

- Will November election; federal deficit; and/or state budget concerns alter ACA implementation path?
- Will California establish a Basic Health Program?
- What practical challenges will arise as California's Exchange selects health plans?
- What public and private actions will emerge to:
  - Conduct outreach and encourage enrollment?
  - Assure access to care for newly covered populations?
  - Manage cost of care, and cost of coverage, over time?
- What will happen to access to care for populations left behind?



# Concluding Comments

- California has moved quickly to establish its Exchange as a key component of health reform implementation
- Federal and state legislation set ground rules, yet Exchange's direction will become clearer over time
- An ambitious timeline and an array of important decisions lie ahead
- Monitoring and reporting on progress toward policy goals will identify both accomplishments and opportunities

# For More Information

<http://www.chcf.org/programs/healthreform>