

# Briefing Paper on Insurance Exchanges

*November 4, 2010*

## Background

The Patient Protection and Affordable Care Act (PPACA) envisions insurance exchanges as state-level "market organizers" for health insurance options. Exchanges will primarily serve individuals and small businesses. Exchanges will also determine eligibility for both (a) premium assistance tax credits for persons under 400% of the poverty level; and (b) TennCare and CoverKids.

The PPACA encourages states to develop and operate their own insurance exchanges by 2014. For states that elect to run an exchange, the federal government will pay most of the development and implementation costs prior to 2015. For states that do not to run an exchange, the federal government will operate a federalized exchange and determine eligibility for state and federal programs in those jurisdictions.

## Decision Points

- If the state elects to run an exchange, we would seek additional federal grant funds to support the administrative and operational costs (likely in March 2011).
- If the state chooses **not** run an exchange, we need to plan for a larger federal role (a) in eligibility determinations for Medicaid, CHIP, and other state programs and (b) in state insurance market regulation.
- Regardless of whether Tennessee operates an exchange, we need to determine whether to:
  - consolidate the risk pools for the individual and small group markets by 2014; and
  - repeal existing state insurance mandates to avoid new costs under the PPACA.

## Planning

At the direction of Governor Bredesen, Tennessee applied for and received \$1 million grant to evaluate whether it may be advantageous for the state to operate its own insurance exchange. The grant funds consulting and technical assistance to help answer the key policy questions.

## Public Transparency

We posted a discussion paper at <http://www.tn.gov/nationalhealthreform/exchange.html>. We also posted all related materials, including the grant proposal, stakeholder presentations, and the response to the federal request for comments on insurance exchanges. In addition, interested parties may join our listserv by emailing their request to [insurance.exchange@tn.gov](mailto:insurance.exchange@tn.gov).

## Stakeholder Involvement

We presented an overview of the exchange planning efforts to over 150 industry representatives and members of the public on October 22, 2010. Following that meeting, we are convening two technical advisory groups (one of actuaries/underwriters and the second of agents/brokers) to provide input into the analysis of key policy questions. At the request of industry groups and interested parties, we present and explain these materials at their meetings and other events. We also continue to accept feedback via [insurance.exchange@tn.gov](mailto:insurance.exchange@tn.gov).

## Resources

Congressional Research Service Memo, "The PPACA Penalty Provision and the Internal Revenue Service" (April 30, 2010), available online at

<http://healthreform.kff.org/~media/Files/KHS/docfinder/crsindividualpenalty.pdf>

Congressional Research Service Report R41137, "Health Insurance Premium Credits Under PPACA (P.L. 111-148)" (April 6, 2010), available online at

<http://liberalarts.iupui.edu/economics/uploads/docs/jeanabrahamcrscredits.pdf>

Congressional Research Service Report R41159, "Summary of Potential Employer Penalties Under PPACA," (April 5, 2010), available online at <http://healthreform.kff.org/document-finder/crs-report-on-employer-penalties.aspx>"

Jost, Timothy Stoltzfus. Health Insurance Exchanges and the Affordable Care Act: Eight Difficult Issues. A Commonwealth Fund Report, September 30, 2010. Available at

<http://www.commonwealthfund.org>.

Jost, Timothy Stoltzfus. Health Insurance Exchanges and the Affordable Care Act: Key Policy Issues. A Commonwealth Fund Report, July 15, 2010. Available at

<http://www.commonwealthfund.org>.

Kingsdale, Jon and John Bertko. Insurance Reform Exchanges Under Health Reform: Six Design Issues for the States. *Health Affairs*. June 2010; 29(6): 1158-1163.

### **Also:**

Utah and Massachusetts currently operate exchanges, though these two states have very different approaches. Visit their exchanges at <http://www.exchange.utah.gov/> and

<https://www.mahealthconnector.org/>.

To learn more about state-level insurance exchanges, visit the National Governors Association website at [www.nga.org](http://www.nga.org) and click on "Health Reform Implementation."