

Homegrown Solution: Alabama's Health Insurance Exchange

An ACPH Fact Sheet made possible by the Robert Wood Johnson Foundation

January 23, 2012

Fortunately for Alabamians, the state's lawsuit to overturn national health care reform hasn't stopped our state leaders from pressing ahead on one of the law's key provisions. Alabama is one of 26 states suing to have the Affordable Care Act (ACA) of 2010 declared unconstitutional. But the state also applied for and received federal funding to set up our own health insurance Exchange, a new state-based marketplace for health coverage under the ACA. The Exchange will help uninsured Alabamians, and small businesses that do not now provide insurance, compare and buy health plans and calculate available tax credits for reducing their premium costs. This fact sheet examines the planning, structure and timeline of the Exchange.

Setting state goals

In 2011, Alabama legislators passed a law claiming to exempt the state from certain requirements of the ACA. But Gov. Robert Bentley and Medicaid Commissioner Bob Mullins, who oppose some aspects of the federal law, believe a state health insurance Exchange is right for Alabama. Both men are doctors who say the greater insurance choices and cost controls in an Exchange would help more people have better insurance coverage and save the state money. They also want Alabama to be ready, no matter which parts of the national plan survive court tests.

The governor appointed the Alabama Health Insurance Exchange Study Commission in 2011 to come up with a plan for how a consumer-friendly Exchange would work here. Commission members included insurance industry representatives, legislators and other state officials, business people and consumer advocates. The commission submitted its report to the governor in late November.

The 2012 Legislature will consider bills to implement the commission's recommendations:

- Establish a state Exchange (called the Alabama Health Insurance Marketplace) rather than postpone action, which would trigger the federal government to create one.

- Create a new authority (set up like a corporation but overseen by a state board and accountable to taxpayers) to operate the Exchange.
- Allow any qualified insurer to offer plans that meet Exchange requirements.
- Set up one administrative system to oversee individual and small business Exchange markets.
- Establish an Exchange board with membership that includes consumers, legislators, business and insurance representatives, state departments of insurance and public health, and the Medicaid agency.

How the Exchange will work

Because the ACA does not create a new health care system but builds on the one we have, most Alabamians will continue to get their health insurance through their employer or through their existing Medicare or Medicaid coverage. The Exchange will serve as a one-stop shopping place for uninsured Alabamians under age 65 seeking to buy health insurance, many for the first time. Individuals will begin the process by answering questions about their health insurance needs and income, either online or on

paper forms they fill out and turn in at consumer service centers. Most people who are employed but without insurance now will choose from plans offered by private companies in the Exchange. Increased competition among insurers is another cost-lowering factor.

The ACA creates new protections for health insurance consumers in the Exchange. For example, every Exchange plan must include certain essential benefits spelled out in the law and in the state's Exchange regulations. No shoddy plans will make the grade. In addition to basic coverage, called the Bronze plan, the Exchange will offer Silver, Gold and Platinum plans with broader coverage at higher premiums. A special high-deductible plan will be available for people who are under 30 or exempt from the individual mandate because of a hardship.

Plans offered in the Exchange will have a preventive focus. Unlike many "barebones" health

Nutshell

A consumer-friendly Exchange will help uninsured Alabamians and small businesses:

- Compare health insurance plans that meet quality standards;
- Enroll in coverage that's right for them; and
- Get tax credits (on a sliding scale by income or payroll) to lower premium costs.

plans, the exchange plans will cover preventive screenings and checkups to help people stay healthier and catch health problems earlier. With easier access to routine care, more Alabamians can get timely treatment, reducing chronic illness and the costly emergency room visits that come with delayed care.

Consumers will be able to select and buy Exchange plans through agents and brokers, but the Exchange also will have “navigators” to provide free help with assessing needs and costs, comparing plans and enrolling in coverage. The ACA allows the Exchange to enter into contracts for navigator services with a broad range of partners, from nonprofit community organizations to professional associations to insurance brokers. A key measure of transparency in the Alabama Exchange will be the provisions that make sure navigators offer impartial advice with no conflicts of interest. The Exchange also will provide a toll-free consumer assistance hotline with trained responders to answer questions about benefits, premiums and available cost savings.

Premium credits

In keeping with its name, the Affordable Care Act will limit health care costs for consumers in the Exchange.

People with incomes up to 400 percent of the federal poverty level (about \$90,000 per year for a family of four) will be eligible for refundable income tax credits to keep their premium costs within a certain percentage of their income. The premium limits will vary by income, ranging from 2 percent for the lowest earners to a maximum of 9.5 percent. There will be additional caps on out-of-pocket medical expenses, also varying by income.

Small businesses that do not offer employee health insurance now will get income tax credits for providing coverage through the Exchange. The credits will be available to employers with 50 or fewer

employees and average annual wages of less than \$50,000. They will be highest for businesses with 25 or fewer employees and average annual wages of less than \$25,000 and for tax-exempt small businesses.

Next steps for Alabama

In 2012

- Legislature must pass laws that:
 - Give the state power to enforce the federal law;
 - Authorize the Alabama Health Insurance Exchange;
 - Give Insurance Department power to regulate rates; and
 - Allow external review of consumer appeals.
- State finalizes Exchange plan and submits for federal approval by Jan. 1, 2013.

In 2013

- State receives federal approval of Exchange plan;
- Exchange begins marketing and test enrollment process; and
- Pre-enrollment begins Oct. 1.

In 2014

- Exchange opens for business and Medicaid expansion takes effect Jan. 1;
- Pre-existing condition restrictions and annual benefit caps go away; and
- Most Alabamians must have health insurance or pay a penalty.

“No wrong door”

Because the nearly 800,000 uninsured Alabamians under age 65 include people at all income levels, many consumers entering the Exchange will be eligible for free or low-cost coverage through the state’s public health insurance programs, Medicaid and ALL Kids. The Exchange’s “no wrong door” policy will ensure that a single application process connects each applicant to the appropriate coverage, without rejection and referral to other agencies. In 2014, low-income adults (for example, parents in a family of four earning up to \$30,000) will become eligible for Medicaid, which previously covered only children in low-income families and disabled or extremely poor adults.

Bottom line

A consumer-friendly Exchange will help uninsured Alabamians and small businesses:

- Compare health insurance plans that meet quality standards;
- Enroll in coverage that’s right for them; and
- Get tax credits (on a sliding scale by income or payroll) to reduce premium costs.

For more about the Affordable Care Act, visit arisecitizens.org and click on “Health care reform resources” in the left column.

SOURCES: Alabama Health Insurance Exchange Study Commission Recommendations, November 2011; Community Catalyst; National Conference of State Legislatures; Robert Wood Johnson Foundation.

This fact sheet was prepared by ACPH health policy analyst M.J. Ellington. It may be used with acknowledgment of Arise Citizens’ Policy Project, Box 1188, Montgomery, AL 36101; (800) 832-9060; arisecitizens.org.