

Homegrown Solution: Alabama's Health Insurance Exchange

An Arise Citizens' Policy Project Fact Sheet

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Alabama's readiness to implement the Affordable Care Act (ACA) remains uncertain as key deadlines in the federal health care reform law approach.

Alabama is one of 26 states that have asked the U.S. Supreme Court to declare the ACA unconstitutional. But the state also applied for and received federal funding to plan for an Alabama Health Insurance Exchange. The Exchange, which the law requires states to have in the works by Jan. 1, 2013, and operational a year later, would offer uninsured individuals and small businesses a choice of affordable health plans that meet minimum quality standards. States that fail to create their own Exchange will default to a federal version. This fact sheet examines the planning, structure and timeline for a state-based Exchange.

Setting state goals

In 2011, Alabama legislators passed a law claiming to exempt the state from certain requirements of the ACA.

Gov. Robert Bentley and other key officials who oppose some aspects of the federal law asserted that Alabama should press ahead with developing an Exchange. Greater insurance choices and cost controls in an

Exchange would help more people have better insurance coverage and save the state money, they said. Bentley said he wanted Alabama to be ready, in case all or parts of the national plan survive court tests.

Toward that goal, the governor appointed the Alabama Health Insurance Exchange Study Commission in 2011. Advocates pushed successfully to get two consumer positions on the commission, which included insurance industry and business representatives, legislators and other state officials. The commission submitted its recommendations in November.

Progress slowed in 2012 as Bentley declined to support Exchange legislation, saying he wanted to wait until the Supreme Court ruled, likely in late June, before moving forward. Though the Alabama House passed a bill to set up a state Exchange, Bentley's veto threat effectively killed it in the Senate. A special session or governor's executive order might satisfy at least part of the ACA requirements by the deadline.

To create a state Exchange, Alabama must:

- Create a new authority (set up like a corporation but overseen by a state board and accountable to taxpayers) to operate the Exchange.
- Set up one administrative system to oversee individual and small business Exchange markets.
- Allow any qualified insurer to offer plans that meet Exchange requirements.
- Pass legislation allowing state enforcement of federal law, regulation of health insurance rates and external review of health insurance consumer appeals.

How the Exchange will work

The ACA does not create a new health care system but builds on the one we have, so 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.

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 offered in the Exchange will have a preventive focus. Unlike many “barebones” health 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 will 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 to a maximum of 9.5 percent. There will be additional caps on out-of-pocket medical expenses, also varying by income.

Small businesses now without employee health insurance 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. Credits 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

- Alabama needs legislation that:
 - Gives the state power to enforce the ACA;
 - Authorizes an Alabama Health Insurance Exchange;
 - Gives the Insurance Department power to regulate plan rates;
 - Allows external review of consumer appeals.
- Finalize Exchange plan and submit 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;
- 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.

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