



BENEFIT NEWS BRIEFS

Proposed Regulations Provide Framework for Health Insurance Exchanges Under Affordable Care Act

In July, the Department of Health and Human Services (HHS) published two proposed regulations regarding Health Insurance Exchanges. The first proposed regulation outlines a framework that will enable states to build Health Insurance Exchanges, new state-based competitive marketplaces created under the *Affordable Care Act*. The second proposed regulation addresses standards related to reinsurance, risk corridors and risk adjustment to assure stability in these newly established markets. These proposed regulations are a major step forward in implementing the Exchanges. *How the creation of Exchanges may affect the delivery of health benefits by multiemployer plans is a topic of debate and study.*

We will focus only on the Health Insurance Exchanges proposed regulation. A copy of the proposed regulation is available at: <http://www.gpo.gov/fdsys/pkg/FR-2011-07-15/pdf/2011-17610.pdf> or by "[clicking here.](#)"

According to HHS, beginning in 2014, individuals and small businesses will have the same insurance choices as members of Congress and will be able to purchase private health insurance through the Exchanges. In theory, Exchanges will make it easy for individual consumers and small businesses to compare health plans, get answers to questions, and enroll in or offer to their employees a health insurance plan that meets their needs. HHS notes that individuals will be able to find out if they are eligible for advance payments of premium tax credits and cost sharing reductions or health programs like the Children's Health Insurance Program (CHIP). HHS also notes that small businesses will be eligible for a tax credit for coverage purchased for employees through the Exchange.

HHS touts that the proposed Exchange regulation offers a framework to assist States in setting up their own Exchanges and gives States significant flexibility to build an Exchange that works for them. For example, the proposed regulation allows states to decide whether their Exchange should be local, regional, or operated by a non-profit organization, how to select plans to participate in and whether to partner with HHS to share the work.

The main topics of the proposed Exchange regulation include standards for:

- States that elect to establish and operate an Exchange;
- Health insurance plans that participate in an Exchange;
- Enrollment in health plans through Exchanges; and
- Employers who opt to participate in the Small Business Health Options Program (SHOP).

According to HHS, 49 States, the District of Columbia, and four territories have received Exchange planning grants, with over half of States having taken additional action to establish Exchanges.

Small Business Health Options Program (SHOP)

Beginning in 2014, Exchanges will operate a Small Business Health Options Program (SHOP), a program that offers small employers and their employees new choices. Through the SHOP, employers can choose the level of coverage they will offer (bronze, silver, gold or platinum plans), define their contribution toward their employees' coverage, and then offer the employees choices of multiple insurers and plans. Employees choose among the plans that fit their needs and their budget. Employers can offer coverage from multiple insurers, just like larger companies and government employee plans, but get a single bill and write a single check.

According to HHS, states and their Exchanges will shape how SHOP is structured. Specifically, they have flexibility with regard to:

- **Size of small businesses that can participate in SHOP:** States can set the size of the small group market up to 50 employees instead of 100 employees until 2016. And, starting in 2017, states may let businesses with more than 100 employees buy large group coverage through the SHOP.
- **Structure of choices for small businesses:** Exchanges can choose to offer employers additional ways to provide coverage, including allowing their employees to choose any plan in all tiers of coverage or a traditional "employer choice" offer of a single plan.

For more information on the Exchanges:

Exchanges - Home Page

<http://www.healthcare.gov/law/provisions/exchanges/index.html>

Exchanges Regulation – Fact Sheet on Proposed Regulation

<http://www.healthcare.gov/news/factsheets/exchanges07112011a.html>

Q&As on Proposed Exchanges Regulation

<http://www.healthcare.gov/news/factsheets/exchanges07112011g.html>

Exchange Basics

<http://www.healthcare.gov/news/factsheets/exchanges07112011b.html>

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