Exchange Election

The purpose of an exchange is to make it simpler for individuals and small businesses to obtain coverage. The exchanges will not provide insurance, but they will provide a way for people to compare the cost and coverage available from different insurers, provide resources to individuals to help them choose a plan, and oversee the insurance options available through the exchanges. Virtually all Americans will be able to buy coverage through an exchange, even if they have access to coverage through an employer. However, premium subsidies will not be available to people who have access to adequate coverage through their employer, no matter how large or small their employer is, but who choose to buy through the exchange instead. Recently, the government has begun calling the exchanges the "health insurance marketplace."

Each state will choose its own "essential health benefits" package, although all insurance provided to individuals and small groups (generally, those with 100 or fewer employees) must provide certain types of "essential" coverage. (Self-funded and large employers are not required to provide the "essential health benefits." Instead, these plans will need to cover "core" benefits (hospital and emergency care, physician and mid-level practitioner care, pharmacy, and laboratory and imaging) at a 60 percent actuarial value to avoid employer penalties.) For additional information on each state's EHB, go here: Additional Information on Proposed State Essential Health Benefits Benchmark Plans | cciio.cms.gov

Employers should understand that even if they offer coverage to their employees, they will have some interaction with the exchanges. If any employee chooses to purchase coverage through the exchange and requests a premium subsidy, the exchange will need information about the coverage offered to employees from the employer.

Currently there is debate about whether people in a federally-facilitated exchange will be eligible for the premium tax subsidy. The federal government's position is that these people will be eligible for the subsidy, as it was not Congress' intent to treat people differently based upon where they live. Employers hoping to avoid the play or pay penalty have an interest in this question because penalties are triggered by the employee's receipt of a premium tax subsidy through the exchange. If subsidies are not available through the federally facilitated exchanges, employers in those states would not be subject to penalties. This issue likely will be settled by the courts (Oklahoma has filed a lawsuit), but in the meantime, employers in states that will have FFEs should not assume the penalties will not apply to them. Also, note that those who obtain coverage through private exchanges will not be eligible for the premium tax subsidies.

Whether a state runs its own exchange is a year by year decision, so, for example, a state that has an FFE or a partnership exchange for 2014 could run its own exchange in 2015.