

## Health Insurance Exchanges

The health insurance exchanges established under health care reform legislation will play a critical role in facilitating and expanding consumer access to health insurance plans that meet minimum coverage requirements. For the first time, consumers in every state will be able to compare health insurance plans to assess benefit options and select the plan which best suits their needs. Coupled with the new subsidies available to low- and middle-income Americans, the exchanges will make health insurance coverage more affordable, reduce the number of uninsured, and improve patients' access to the care and treatments they need.

### Background

The Affordable Care Act (ACA)<sup>1</sup> requires all Americans to obtain health insurance. To help Americans who do not have access to employer-sponsored health insurance or who cannot afford health insurance on their own, the law requires states to create **health insurance exchanges**—quasi-governmental entities intended to improve access to health insurance by offering a choice of health insurance plans and establishing rules for designing, comparing, and pricing insurance plans.

Under the law, states must create exchanges for the individual and small group markets. If a state fails to establish these exchanges by 2014, the federal government will step in and establish an exchange in that state. Individuals who do not have access to employer-sponsored coverage will be eligible to purchase health insurance through these exchanges. Employers with 50 or fewer employees will also be able to participate in the exchanges (some states may set the limit at 100 employees), either through a Small Business Health Options Program (SHOP) exchange or a single exchange created by the state for individuals and employers.

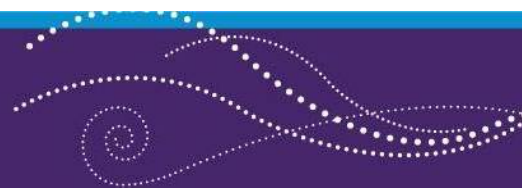
Private health insurance plans offering coverage through the exchanges may offer the following four tiers of benefit packages:

- Bronze: covers 60% of all health care costs
- Silver: covers 70% of all health care costs
- Gold: covers 80% of all health care costs
- Platinum: covers 90% of all health care costs

Health insurers will be required to offer, at minimum, the Silver and Gold plans, but may also offer the Bronze and Platinum plan designs, or other plan designs as authorized by the U.S. Secretary of Health and Human Services. In addition, states can choose to permit health insurers to offer catastrophic coverage (that is, health insurance that has a high deductible and only covers major medical expenses) for individuals 30 or younger or those exempt from the individual mandate due to financial hardship.

As a condition for inclusion as a health insurance plan in the exchange, plans must comply with essential benefit standards, which set minimum coverage requirements for the benefits packages (see handout on **Essential Benefits**). Plans sold within the exchange also face limits on what people can be required to pay for their health care. For example, deductibles cannot exceed \$2,000 for individuals and \$4,000 for families.

Information about coverage, benefits, and plan performance will be presented to patients through a Web site. Consumers will be able to compare premium rates, eligibility, cost sharing, medical loss ratios (that is, the percentage of premium costs insurers spend on health care rather than administrative or other expenses), and other information about health insurance plans participating in the exchange.



## Key Facts and Figures

- By 2016, the Congressional Budget Office (CBO) estimates that 21 million currently uninsured Americans may enroll in health insurance plans through state-based exchanges.<sup>2</sup>
- Government subsidies will provide assistance to low- and middle-income individuals to enroll in health insurance plans through the exchanges, helping many patients afford the cost of coverage. The CBO estimates that 127 million Americans may be eligible for these subsidies.<sup>3</sup>
- Many eligible individuals will be covered either by an employer or through Medicaid. Therefore, it has been estimated that 18% of those eligible will likely participate in the Exchanges.<sup>4</sup>

## Pfizer's Position

State-based insurance exchanges will expand consumer choice of health insurance plans and enable consumers to review, compare, and select their preferred plan. Because Americans have different health care needs, the insurance exchanges should offer detailed but easily understandable information about benefits and plan performance fully informing their selection. Any limitations on benefits should be disclosed. Comparative quality information, particularly outcomes measures, would greatly improve plan comparisons.

### How Patients and Health Care Professionals Benefit

State-based exchanges will enhance consumer choice and competition between health insurance plans, helping drive affordable coverage. More transparent and comparative information will help patients select the plan that meets their unique health needs resulting in increased coverage and leading to better health.

### How the Health Care System Benefits

Health insurance exchanges and other elements of the ACA will significantly increase the number of Americans enrolled in health insurance plans. This will help people access care which should improve public health and provide long term savings for the health care system.

### What It Means for Pfizer

Health insurance exchanges will help bring previously uninsured Americans into the health care system and provide them with affordable access to necessary care, treatments, and prescription medicines.

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<sup>1</sup> The Patient Protection and Affordable Care Act (PPACA, P.L. 111-148), as amended by the Health Care and Education Reconciliation Act of 2010 (HCERA, P.L. 111-152), is collectively referred to in this paper as the Affordable Care Act of 2010 (ACA).

<sup>2</sup> Congressional Budget Office. "Preliminary Analysis of the Affordable Health Care for America Act As Introduced in the House of Representatives on October 29." Congressional Budget Office. 29 October 2009.

<sup>3</sup> 2008 U.S. Census Data.

<sup>4</sup> Congressional Budget Office. Letter to the Honorable John D. Dingell. 6 November 2009. Available at: [http://www.cbo.gov/ftpdocs/107xx/doc10710/hr3962Dingell\\_mgr\\_amendment\\_update.pdf](http://www.cbo.gov/ftpdocs/107xx/doc10710/hr3962Dingell_mgr_amendment_update.pdf).