



# GUIDE TO THE ISSUES

## Health Insurance Exchanges

### Background

One of the major provisions of The Patient Protection and Affordable Care Act (PPACA) is the establishment of Health Insurance Exchanges (HIX) in every state. HIX are designed to be state-based, competitive health insurance marketplaces. They are neither a private insurance company nor a government-run health plan.<sup>1</sup> Rather, they provide a forum for individuals and small businesses to shop for private health insurance in a way that facilitates easy comparisons of available plans based on price, benefits, services, and quality.

Supporters of PPACA claim that by pooling individuals and small business together, reducing transaction costs, and increasing transparency, exchanges create a more efficient and more competitive marketplace for individuals and small employers.<sup>2</sup>

The PPACA initially provides resources for states to develop and operate their own exchanges. States may create their own exchanges, but they must meet numerous federal standards under PPACA. The federal government will provide funds for states to implement and run the exchanges until January 1, 2015. However, if a state chooses not to develop its own exchange, the federal government will build one for them in 2014, with seemingly no penalty to the state.<sup>3</sup>

### Alabama's Actions

In December, 2011, the Alabama Health Insurance Exchange Study Commission (AHIESC), which was

### ISSUE SNAPSHOT

According to the AHIESC, the Alabama Health Insurance Exchange would cost \$34-\$50 million annually.

Setting up a Health Insurance Exchange (HIX) in Alabama does little to protect from federal overreach because even a state exchange must meet federal standards.

established through Executive Order by Governor Robert Bentley and paid for with a grant from the federal government,<sup>4</sup> recommended that Alabama establish a HIX called the "Alabama Health Insurance Marketplace."

The Alabama Health Insurance Marketplace would function as a new quasi-governmental entity run by a board comprised of members from a wide variety of sectors, but with "sufficient and diverse expertise" to operate the HIX. The AHIESC voted to recommend that representatives from the Alabama Department of Insurance, the Alabama Medicaid Agency, legislators, actuaries, accountants, insurance brokers, and consumers be on the board controlling the Marketplace.

Depending on the number of enrollees (estimated to be between 206,000 and 460,000 Alabamians), the AHIESC projected the administrative costs of establishing and running the Alabama Health Insurance Marketplace to be \$34-\$50 million annually.<sup>5</sup>