



Federal Health Care Reform
in New York State

NYS Health Benefit Exchange

Frequently Asked Questions

March 13, 2012

Introduction

Under the Patient Protection and Affordable Care Act (ACA), a Health Benefit Exchange will operate in every state beginning on January 1, 2014. Each state has the option to create its own Exchange; but if it does not, the federal government will operate the Exchange in that state. The purpose of this document is to answer frequently asked questions about the New York Health Benefit Exchange, which the State is planning with federal grant support.

Frequently Asked Questions about the Health Benefit Exchange

Q1. What is the Exchange?

The Exchange is an organized marketplace where consumers and small businesses shop for coverage in a way that allows them to easily compare health plan options on benefits, services, price and quality, and to receive tax credits.

Q2. How many New Yorkers under age 65 do not have health insurance coverage?

Nearly 2.7 million New Yorkers under age 65, about 16 percent, do not have health insurance coverage. The majority of the uninsured are workers and their families.

Q3. How many New Yorkers will gain coverage as a result of the Affordable Care Act?

About 1 million New Yorkers will gain health insurance coverage when the Exchange and the other provisions of the ACA are fully implemented.

Q4. Will the Exchange make coverage more affordable for individuals who buy their coverage directly from an insurer?

Yes. The average premium for an individual who purchases coverage directly today (i.e., they do not receive coverage through their employer) is expected to decline by about 70 percent when they purchase through the Exchange when reform is fully implemented. In addition to the reduction in premium, nearly 450,000 New Yorkers with incomes up to 400 percent of the federal poverty level (about \$92,000 for a family of four) will receive more than \$2.4 billion in tax credits to offset the cost of buying coverage and cost-sharing credits to reduce their co-pays and deductibles when they receive health care services.

Q5. Will the Exchange make coverage more affordable for small businesses?

Yes. When reform is fully implemented, the average single premium for small businesses purchasing through the Exchange will be about 21 percent lower than the average single premium in the small employer market today (excluding Healthy New York). Small businesses will also receive \$220 million in tax benefits and help managing their employee health benefits. The Exchange will handle premium payments for employers so they can offer their employees a choice of plans without having to manage multiple accounts.

Q6. How will purchasing health insurance through the Exchange be different than purchasing health insurance today?

Consumers and small businesses will be able to go to a state-of-the art website which will make shopping for health insurance easier.

Health plan coverage choices will be assigned to one of four precious metal levels - Bronze, Silver, Gold and Platinum- so that consumers will be able to easily compare products to determine which one is best for them. Consumers and small businesses will also be able to get help enrolling in coverage from trained enrollment assisters.

Q7. Why does New York need to enact legislation this year establishing the Exchange?

Legislation must be enacted early in 2012 if New York wants to operate its own Exchange starting on January 1, 2014. Otherwise there will not be sufficient time for the state to demonstrate readiness to the U.S. Department of Health and Human Services (HHS) and the federal government will operate the Exchange in New York.

Q8. Why should New York develop its own Exchange instead of having the federal government run it?

The main reason for New York to develop its own Exchange is so that the State and not the federal government can make decisions about how health insurance will be sold in New York. If the federal government runs the Exchange, it will be making important decisions such as which health plans will be sold in the Exchange, what benefits will be offered and which organizations will be able to help consumers and small businesses purchase coverage. New York could lose important consumer protections that go beyond federal minimums, including pure community rating and external appeal rights. Since the federal government may be running Exchanges for many states, the approach will not be state specific. In addition, any jobs created to establish and run the Exchange may not be located in New York.

Q9. Does the federal government have the funding to build a federal exchange?

The funding for the federal government to establish an exchange is included in appropriations made by Congress in Public Law 111-152 and other discretionary funds available to HHS. In addition, the President's proposed 2013 budget requests an additional \$864 million for program costs related to exchanges, including the operations of a federally-facilitated Exchange in each State that will not have its own Exchange by January 1, 2014, oversight of state-based exchanges, and to carry out the Secretary's duties on behalf of all exchanges, such as operations of a data services hub. Work on the federally-operated Exchange has already started. In September 2011, the Department of Health and Human Services announced competitively-awarded contracts to help build the federal Exchange.

Q10. Why can't New York wait to make a decision on the Exchange until the Supreme Court rules?

By waiting for the Supreme Court to rule, New York will jeopardize the ability to operate its own Exchange because the timeline for implementation is already aggressive. Under HHS' proposed Exchange certification process, states must begin demonstrating that their Exchanges are operationally ready in the summer of 2012. Waiting for the Supreme Court will not allow enough time to have a governance structure in place or to make key policy decisions necessary to demonstrate operational readiness.

Q11. Will setting up the Exchange cost New York taxpayers a lot of money?

No. Federal grant dollars will pay for the development of the Exchange and its first year of operation through December 31, 2014. Starting on January 1, 2015, the Exchange is required to be self-sustaining.

Q12. Will implementing health care reform overall cost New York taxpayers a lot of money?

No. In fact, New York's Division of Budget estimates significant savings to New York State – \$18 billion over 10 years – as a result of health care reform. Similarly, the Urban Institute estimates *annual* state savings of \$2.3 billion when reform is fully implemented. These savings are largely due to enhanced federal financing of certain Medicaid enrollees. Under the ACA, New York was one of seven “expansion states” that will receive 90 percent federal financing on all childless adults that were covered by Medicaid prior to the ACA. Because New York has been paying 50 percent of the costs for 800,000 childless adult Medicaid enrollees, the State will realize substantial savings when the federal government increases its contribution.

Q13. Has New York already received all of the federal grant funds it needs to establish a state operated Exchange?

No. New York has received federal grants to plan for the Exchange; however, each of these grants is for a limited period of time and together the grants fund only a portion of the costs. Until such time as legislation is enacted, New York cannot request longer term funding to complete the work and cover the first year of operating costs through December 31, 2014.

Q14. What are essential health benefits?

The Affordable Care Act requires qualified health plans sold through the Exchange and most health plans sold outside of the Exchange in the individual and small group markets to provide health benefits in 10 different coverage areas. The 10 required areas are: 1) ambulatory patient services, 2) emergency services, 3) hospitalization, 4) maternity and newborn care, 5) mental health and substance use disorder services, 6) prescription drugs, 7) rehabilitative and habilitative services and devices, 8) laboratory services, 9) preventive and wellness services and chronic disease management, and 10) pediatric services, including oral and vision care.

States will define “essential health benefits” in 2014 and 2015 by selecting a benchmark plan. The benchmark plan must include these 10 coverage areas, and can include additional benefits.

Q15. Will New York have to pay for the cost of state mandated insurance benefits not included in the essential benefits issued by the Secretary of Health and Human Services?

Guidance issued by HHS on December 16, 2011 gives New York the flexibility to select the benchmark plan for essential benefits for calendar years 2014 and 2015. As clarified in additional guidance issued by HHS on February 17, 2012, as long as New York selects a benchmark plan that includes state mandated benefits, there is no cost to the state for those benefits. The Secretary will reassess the essential benefits for calendar year 2016 and beyond. In the event that the 2016 benchmark does not include a state mandated benefit, the federal government cannot seek recovery from the state for 2014 and 2015 for the cost of that benefit.

Q16. Is the Exchange national health insurance? Will patients have any choice of health plans or providers?

The Affordable Care Act is not national health insurance. States that choose to operate an Exchange have the latitude to design the Exchange to best meet the needs of consumers and small businesses in the state. States will decide the criteria for selecting health plans to participate in the Exchange, the benefits that will be offered and the requirements for provider networks. People who enroll through the Exchange will have a choice of New York State licensed health plans and providers but premium costs will be lower and comparison of plan options will be easier. New York's consumer protections will also stay in place.

Q17. Why can't New York implement a health insurance exchange on its own separate and apart from the Affordable Care Act?

The ACA gives states latitude to build a health insurance exchange that meets the needs of small business and consumers in the state. However, if the state were to establish an exchange separate from the ACA, qualifying employers and individuals would not be able to access tax credits and subsidies. For individuals and small businesses, these tax credits will total more than \$2.6 billion.