



Why We Need a Health Insurance Exchange

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The Patient Protection and Affordable Care Act (the new health care law) calls for the creation of a competitive health insurance marketplace called an “exchange” in every state by 2014. Consumers will greatly benefit once an exchange is in place. Here’s why:

- **Competition:** An exchange will make the state’s insurance market more competitive. The exchange will force insurers to compete for customers based on value, instead of luring them with the trickiest fine print. The exchange will have an easy-to-use website that allows consumers to make apples-to-apples comparisons when they shop for health plans. On this level playing field, quality insurers of all sizes—not just the largest and most powerful—will be able to compete.
- **Transparency:** Insurers in the exchange will have to use easy-to-understand language to describe their products—a vast improvement over the confusing jargon that consumers face now. And insurers will be required to share information about plan costs and quality in a standardized way so that consumers can truly understand what they’re getting.
- **Affordability:** In the exchange, middle-class consumers (those who earn up to nearly \$90,000 for a family of four in 2011) will be eligible for tax credits to help them pay their insurance premiums. Many people will also receive help with copayments, deductibles, or other cost-sharing. And the exchange will monitor insurers to make sure that they aren’t unreasonably increasing their premium rates from year to year.
- **Accountability:** In the exchange, consumers will gain important protections against insurer abuses. Marketing standards will prohibit unethical advertising. Provider network standards will ensure that every health plan has enough doctors. And, premium reviews will make sure that plans aren’t unjustly hiking costs for consumers.
- **Quality:** Quality and customer satisfaction ratings for all health plans in the exchange will be posted online, helping consumers make an informed decision when choosing a plan. And exchange plans will be required to meet quality standards and implement quality improvement strategies so that consumers know that they are getting a good product.
- **Assistance:** Health insurance can be confusing; but in the exchange, direct assistance will be available. A toll-free hotline will take consumer questions, and “navigators” will help people understand and enroll in coverage. In addition, consumer assistance programs will provide a place to turn to if exchange enrollees have grievances with their health plans.

In order for consumers to receive these benefits by 2014, states must move forward now to plan and implement exchanges. States can design their own exchanges, create regional exchanges with other states, or have the federal government run their exchanges. For any of these options, by planning now, states can customize their exchanges to best meet the unique needs of their residents and small businesses.