



The District of Columbia Health Benefits Exchange Proposal

October 2012

Questions and Answers For Residents and Small Businesses

Q. What is the Health Benefits Exchange?

A. The Health Benefits Exchange (referred to as the exchange) is a tool to deliver simple, transparent information about health insurance options to consumers and small businesses (including small nonprofits) in the District of Columbia and to help them enroll in the coverage of their choosing. The governing board of the exchange is currently working on design plans for the exchange, which will be operational in 2014.

Q. What type of insurance will be available in the exchange?

A. The exchange will sell commercial health insurance like that available to individuals and small businesses in the District now. All insurance companies that already sell health insurance in DC will have the opportunity to sell coverage through the exchange, and new insurance companies that do not currently sell policies to DC residents and businesses may also enter the market. All plans sold in the exchange will have to meet quality and consumer protection standards so that shoppers will know that they are purchasing a reliable product. The exchange will also connect individuals with Medicaid or other public coverage if they are eligible.

Q. Is the District of Columbia closing its insurance market for individuals and small businesses?

A. No. The exchange does not close the commercial health insurance market, it organizes the market. Under the board's proposal, all commercial health insurance plans available to individuals and small businesses in DC will be sold in the exchange, where insurance companies will provide shoppers with complete information about health plan benefits, costs, and quality in a format that is understandable and that enables comparison shopping. The exchange allows individuals and small businesses to apply for and enroll in commercial health insurance online, and it also allows individuals to apply for and enroll in Medicaid or other public programs. The exchange also provides a mechanism for the distribution of tax credits to make health insurance more affordable for many small businesses and individuals. Just like now, small businesses and individuals will have the option of going to brokers or other assisters to help them obtain private health insurance.

Q. Who will purchase coverage in the exchange?

A. Starting in 2014, individuals, families, and small businesses with up to 50 workers will use the exchange to purchase commercial health insurance. In 2016, DC businesses with up to 100 workers will also use the exchange to purchase coverage, as required by the Affordable Care Act (the federal health care law). The governing board of the DC Health Benefits Exchange voted against including businesses with 50 to 100 workers in the exchange any earlier than is required by federal law.

Q. Will individuals and small businesses be required to move to the exchange for coverage in 2014?

A. Individuals and small businesses that have been covered by the same insurance plan since the federal health care law took effect on March 23, 2010 can continue to renew that coverage outside of the exchange. However, such plans are considered to be “grandfathered” and therefore will not necessarily include important consumer protection and benefit standards provided by the Affordable Care Act. These plans can maintain their grandfathered status as long as they don’t significantly increase costs or decrease benefits for enrollees. Individuals and small employers that aren’t in grandfathered plans will obtain health insurance through the exchange, and that coverage will meet all standards for quality and consumer protections required by the Affordable Care Act.

Q. What will the exchange do for individuals and families?

A. The exchange will provide an easy-to-use website where individuals and families can find unbiased, official information about all of their health insurance options. Individuals and families will be able to use this website to apply for and enroll in commercial insurance, Medicaid, or other health insurance programs for which they may be eligible. The exchange website will also be able to tell them if they are eligible for tax credits to make commercial insurance more affordable. Consumers will have peace of mind knowing that all health plans sold in the exchange meet consumer protection standards, such as having a sufficient number of providers in the plan’s network and not engaging in unfair advertising. The exchange will also have “navigators” and other assisters to help people with enrollment and coverage questions, either in-person or over the phone.

Q. What will the exchange do for small businesses?

A. For the first time, the exchange will make it possible for small employers in the District and their workers to view and compare all of their health insurance options online, including information about benefits, costs, and quality. Also for the first time, small employers will have the option to allow their workers to choose from more than one insurance plan without having to meet minimum worker participation requirements or experiencing any additional costs or administrative burdens. And when small employers choose the coverage options that will be available to their employees—either on their own or with the help of a broker or other assister—they’ll know what they’re getting, as plans in the exchange will have to be transparent about all coverage limitations and other conditions that may currently be relegated to fine print. Small employers can also apply for tax credits to help with the costs of covering their employees through the exchange.

Q. How will the exchange affect health insurance costs for individuals and small businesses?

A. One of the main purposes of an exchange is to slow the growth of health insurance costs for small businesses and individuals, which have been rising at unsustainable rates for years. Making information about plan costs and benefits transparent and easy to compare will empower shoppers and force insurers to compete based on quality and value. Insurers will no longer be able to bury complicated charges, exceptions, and exclusions in fine print. This level playing field will make it easier for new insurers to enter the market and increase competition among the products available to District residents and businesses. These forces can have a powerful impact in reining in health insurance costs. The exchange also provides an important new opportunity for the District to raise its expectations for how insurers must treat consumers and small businesses, as plans sold through the exchange will have to meet minimum standards for quality and value that can help ensure that costs are fair.

Q. How will the exchange affect the number of health plan choices available to individuals and small businesses?

A. Like today, consumers and small businesses will have a number of product options from various insurance companies to choose from in the exchange, allowing them to select the coverage that best meets their needs. As described in the question above, the level playing field created by the exchange may also make it possible for new insurance companies to enter the District market, thereby increasing choice for consumers and small businesses. Furthermore, an important role of the exchange is spurring competition so that consumers and small businesses have an array of higher-quality, higher-value health plans to choose from.

Q. Will small businesses and individuals still be able to get help with coverage from health insurance brokers in the exchange?

A. Yes. The Affordable Care Act makes it clear that brokers and agents may sell exchange coverage. The District envisions a robust role for brokers, who will be able to help small businesses and individuals examine exchange plans, identify which one best meets their needs, and then enroll in that coverage.

Q. What standards will the exchange require of insurance companies?

A. Another main purpose of an exchange is to protect consumers and small businesses from abuses and inadequacies in coverage. Therefore, if insurance companies wish to participate in the exchange, the Affordable Care Act requires that they meet the following standards:

- Sufficient provider network: Exchange plans must have enough doctors and other providers to serve the individuals and businesses enrolled in their coverage.
- Fair marketing: Exchange plans must not engage in discriminatory marketing designed to discourage certain groups from enrolling in coverage.
- Quality standards and reporting: Exchange plans must be accredited (as most plans are now), and they must post reports on quality measures and enrollee satisfaction on the exchange's website.

If the District finds that additional standards are needed to protect consumers and small businesses in the exchange, the District has the authority to enact those standards. However, it is important to note that the District already has the authority to set requirements for insurance companies that sell coverage in DC.

Q. What other standards are required for health insurance companies under the Affordable Care Act?

A. Starting in 2014, all non-grandfathered insurance plans sold to small employers, individuals, and families must cover an essential health benefits package. DC recommends that this package should be based on the largest small-employer insurance product that is currently sold in the District, which is CareFirst's Blue Preferred Option 1. Non-grandfathered individual market and small-group plans must also cover at least 60 percent of the average enrollee's medical costs, leaving the enrollee to pay no more than 40 percent in deductibles, copayments, and other cost-sharing. Starting in 2014, insurance companies are also forbidden from discriminating against people with pre-existing conditions. These standards would apply to all non-grandfathered small business and individual market health insurance plans, whether or not DC allowed them to be sold outside of the exchange.

Q. Why will all DC individual and small-group insurance plans be sold through the exchange?

A. Selling all individual and small-group insurance plans through the exchange helps consumers and small businesses in a number of ways. In the exchange, all plans will provide transparent information about the terms of their coverage in a standardized format that is easy to compare. The exchange also streamlines shopping so that consumers and small businesses can review and enroll in all coverage options at one centralized website, while still being able to seek help in person from unbiased assisters or insurance brokers if necessary. Also, given the District's small population, selling all individual and small-group plans that are available in DC through the exchange will be the most cost effective option for taxpayers, exchange customers, and insurers. By consolidating individual and small-group health insurance sales into one marketplace, the exchange will reduce administrative costs and give the District the biggest bang for its buck.

Q. Will small employers face fines if they do not offer coverage to their workers?

A. No. Under the Affordable Care Act, *large* employers (more than 50 workers) will face penalties starting in 2014 if they do not offer a minimum level of coverage, and therefore one or more of their employees receives a subsidy to purchase individual coverage in the exchange. There are no penalties for small employers who do not offer coverage.

To learn more about the District of Columbia
Health Benefits Exchange, visit
healthreform.dc.gov.



1201 New York Avenue NW, Suite 1100
Washington, DC 20005
Phone: 202-628-3030
Email: info@familiesusa.org
www.familiesusa.org



Fiscal Policy Institute

820 First Street NE, Suite 460
Washington, DC 20002
Phone: 202-408-1080
www.dcfpi.org

This report is available online at www.familiesusa.org.

A complete list of Families USA publications is available at www.familiesusa.org/resources/publications.