



# *Overview of the Role of Health Benefit Exchanges*

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## What is an Exchange?

- An organized marketplace for the purchase of health insurance coverage.
- Intended to encourage competition by offering a choice of plans and by providing consumers with information that will allow for comparison shopping.
- Such competition and choice is hoped to reduce the growth of health care spending by encouraging competition on price and quality.
- An exchange can function in one of three ways:
  - Market Organizer and Distribution Channel
  - Selective Contracting Agent
  - Active Purchaser

- Market Organizer & Distribution Channel offers all plans and all carriers and serves as an impartial source of information.
- Selective Contracting Agent offers standard choices from several plans and insurers and promotes competition but does not “negotiate” premiums.
- Active Purchaser sets benefits and package and procures and negotiates the terms of insurance (including price) on behalf of enrollees .
  - It is not clear if this type of exchange model would comply with the requirements in ACA since rules applying to rating of insurance plans must be the same inside and outside the Exchanges.

## An Exchange is expected to:

- Make available (only) qualified health plans to individuals and employers.
- Offer consumers choices of health plans by focusing competition on rates and quality.
- Provide information to consumers.
- Create an administrative mechanism for enrollment – with “no wrong door” features.
- Be the sole location for an individual who qualifies for insurance subsidies to receive those subsidies.
- Establish navigators to assist consumers in health care purchasing decisions.

## An Exchange is expected to:

- Facilitate premium billing, collection and remittance.
  - Because subsidies will be paid directly to insurers for qualifying individuals, the Exchange could collect the appropriate amount of premiums from qualifying individuals and remit the premium to the appropriate insurer.
  - In the small group exchange, individual employees will be able to choose any insurer's plan of the plans available for the level (i.e. bronze, silver, gold, platinum) chosen by the employer. Small Employers will not want to remit premiums to each insurer. Therefore the Exchange could be the collector of the premiums from the employer, which will include the employee and the employer contributions, and then remit the appropriate amount of premiums to each insurer based upon the group's enrollment.

- Nothing in the ACA prohibits the sale of health insurance outside of the exchange. Rules relating to rating, participation and contribution, and other market issues however must be consistent inside and outside the exchanges in order to offset anti-selection issues.
- An exchange must be established for the individual and small employer group markets. That may be a single exchange (if the two market places are merged) or two separate exchanges.
- Exchanges may open to large employers at the option of the State.



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