

American Health Care Landscape Individual Market

Exchanges

- Federal Exchanges
- State Based Exchanges

Health Plan Individual

- Individual Insurance
- State Differences

Small Group

- State Differences
- Self-funded (ERISA)

The Individual Market is what people generally think of when they say “Obamacare.” The Affordable Care Act (ACA) is what created the federal and state exchanges. Before we dive a little further into this section, it is important to understand that prior to the ACA passing, health insurance for an individual or small group, would typically be purchased through a healthcare insurance plan. When the ACA was passed in 2010, the Federal government tried to require all states to stand up and administer individual exchanges with strict parameters and controls set by the government. Many States did not want the financial burden of these exchanges, nor did they want Federal level control over their State programs; therefore, this was immediately challenged and successfully defeated as unconstitutional. Initially, there was also an individual mandate applied that required every American tax paying citizen to obtain healthcare coverage or pay a tax penalty in order to provide funding for the program. This was overturned in December 2017 as unconstitutional, the impact of this caused a funding issue for this program which has been propped up ever since by a massive amount of taxpayer money going to subsidies for the program.

Exchanges—Depending on the State there is either a State based or Federal based exchange. An exchange is simply a place to purchase insurance; however through the exchange you can submit your financial information and receive government subsidies to help pay the premium cost for your insurance.

Health Plan Individual—The Individual Market is where you purchase a health insurance plan directly from a health insurance provider, just like you would car insurance. Depending on the State you live in, your choices in this market can vary widely. The reason for this is State level restrictions, for example, California passed a law making it illegal for Health Plans to offer any

benefit designs that differ from what they require to be sold on the “exchange” market. They did not want innovative coverage choices outside of their mandated benefits on the exchange that could reduce cost and do competition with people seeking to purchase coverage on the exchange. In other states, you can purchase individual insurance policies that have different benefit coverages.

Small Group—Small Group insurance is impacted the same way in the different state markets. Small Group can also choose to purchase from the commercial market (which is usually not as cost effective), or they can “self-fund” a plan for their employees. These would function the same as the ASOs in Large Group, that we will discuss on the next slide.