

HEALTHCARE REFORM

What You Need to Know

Public and Private Health Care Exchanges

When signed into law in March 2010, the *Patient Protection and Affordable Care Act* (PPACA) made broad changes to the way health insurance is provided and paid for in the United States. Along with the PPACA came a new marketplace for purchasing coverage: Exchanges.

Deciding Between a Public or Private Exchange

Both types of exchanges provide viable benefits solutions, yet there are key things to consider when making a decision.

Tax Credits/Subsidies

Public Exchanges

With nearly half (48%) of those already buying medical insurance estimated to qualify for subsidies that can reduce the cost of premiums, the first step exchange shoppers should take is determining whether they are eligible to obtain a tax credit/subsidy.

Tax credits are available from a state exchange. If a person is eligible to receive the associated tax credits, a state exchange may provide a complete and viable solution. Certain individuals may also receive assistance through lower cost sharing in the public exchanges.

The Small Business Health Options Program (SHOP) is a public exchange that provides benefits to small employers. The primary advantages are the availability of an employer tax credit and in 2015, individual employee choice of health plans.

Exchanges are designed to serve as a place where individuals and organizations can shop for coverage with the help of easy-to-understand information on all their options.

Private Exchanges

A private exchange provides a broader choice of options for individuals and small employers. Many private exchanges will include access to plan options from the public exchanges, as well as individual and small group plans for those who do not qualify for subsidies.

In many cases these non-subsidy plans offer broader physician networks, which many consumers prefer. Private exchanges may allow for the purchase of other insurance plans in addition to medical, dental and vision.

Defining Terms

Exchange

Exchanges are entities set up to create a more organized and competitive market for health insurance by offering a choice of health plans, establishing common rules regarding the offering and pricing of insurance, and providing information to help consumers better understand the options available to them.

Public (State) Exchange

The PPACA requires all states to have an exchange available by January 1, 2014. States are required to establish separate exchanges for individuals and small business employers.

Private Exchange

A private exchange offers services to individuals and groups, but is not run by the government. In private exchanges, the key element is consumer access to availability of a wide range of products with respect to cost, product design, benefits, and network participation by hospitals and physicians.

Tax subsidies are an essential part of the equation for many people who buy insurance through the new marketplaces. They will help make coverage more affordable for low- and middle-income people.

Kaiser Family Foundation, August 2013

Current as of September 2013