



The Affordable Care Act: The Health Insurance Marketplace -- What Does It Mean for Individuals, Families, and Employers?

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The Patient Protection and Affordable Care Act (ACA) includes provisions that will have significant implications for individuals, families and employers in 2014. These provisions include:

- The creation of Health Insurance Marketplaces (or Exchanges) for each State
- New requirements for all health insurance coverage that is offered for sale to individuals, families, and employers
- Tax credits or cost-sharing subsidies for individuals and families based on income level and family size
- Requirements for individuals to maintain health insurance coverage
- Requirements for some employers to offer health insurance coverage to their employees
- Tax credits for small business employers that offer health insurance coverage to their employees.

This publication is one of a series of four publications designed to provide information for individuals (including self-employed individuals), families, employers, and employees. Because the ACA is a large and complex piece of legislation, these publications are designed to meet the needs of a wide variety of users by providing only that information relevant to each group of users. These topics include the implications of the ACA for:

- Agricultural and Other Small Business Employers with one or more employees
- Self-Employed Individuals in Agricultural and Small Businesses
- Individuals and Families
- Health Insurance Marketplaces (Exchanges) available to individuals, families, employers and employees.

Users are advised to consult all publications relevant to their circumstances. For example, an employer is advised to consult (1) the publication for employers (to determine the business decisions that will be necessary under the ACA) and (2) the publication about individuals and families (to determine the family decisions that will be necessary under the ACA).

Users' Guide to this Publication

This publication is designed to provide a discussion of the rules for the new Health Insurance Marketplaces (also called Exchanges) and how the Marketplaces can be used by individuals, families, self-employed individuals, and employers in agricultural and other small businesses. This publication is organized as follows:

- **The introductory discussion** provides an overview of the provisions of the ACA.
- **Table 1** provides more detailed definitions and operations of Health Insurance Marketplaces for individuals and families.

- **Table 2** provides more detailed definitions and operations of Health Insurance Marketplaces for employers who offer health insurance coverage for their employees.
- **Information Sources** that include all IRS, HHS, and other government regulations are provided at the end of the publication for users seeking more details on the provisions of the ACA and its regulations.

Two aspects of Table 1 should be noted. First, the answers to the questions in Table 1 were obtained from Internal Revenue Service (IRS) and Department of Health and Human Services (HHS) information sources. Whenever possible, these answers are direct quotations from those sources. Unless otherwise noted, all ACA regulations will be applicable beginning January 1, 2014. Second, the “Comments” in Table 1 are provided as a general discussion of the ACA and its implications for individuals and families. These comments are the product of the publication’s authors and are not official IRS or HHS regulations.

This series of publications is designed to provide a source of information for individuals, families, self-employed individuals, employers and employees. It is not intended to be the sole source of information used to make decisions about compliance with the ACA. These publications are consistent with IRS and HHS regulations at the time of their production and the sources of the regulations are provided at the end of each publication. These publications are intended to provide information for planning and management purposes and is not intended to provide legal, insurance or tax accounting advice. Users should consult their legal, insurance or accounting advisers to analyze the consequences of specific decisions and circumstances.

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Table 1: The Affordable Care Act – Rules for the Operation of Health Insurance Marketplaces (Exchanges) for Individuals and Families.

<p>Question 1: How can an individual, family, self-employed individual, or employer who offers health insurance coverage to employees obtain health insurance coverage for the period beginning January 1, 2014?</p>	<p>All individuals, families, and self-employed individuals can obtain health insurance coverage from:</p> <ul style="list-style-type: none"> (a) A health insurance issuer (private insurance company) offered on the Health Insurance Marketplace; (b) A health insurance issuer (private insurance company) offered off the Health Insurance Marketplace; (c) An individual’s employer; (d) A public health coverage program (i.e., The Children’s Health Insurance Program (CHIP), Medicaid, Medicare, TRICARE, etc.) <p>Eligibility for CHIP and Medicaid is based on income.</p> <p>An employer with fewer than 50 employees can obtain health insurance coverage for its employees through the Health Insurance Marketplace or through a health insurance issuer and its agents or brokers.</p>
<p>Question 2: What is a Health Insurance Marketplace?</p>	<p>A Health Insurance Marketplace is a governmental agency or non-profit entity that makes Qualified Health Plans (QHPs) available to individuals, families, and employers. Each State will have one Health Insurance Marketplace for all residents in that State.</p> <p><i>Comment: A Health Insurance Marketplace is also known in the ACA legislative language as an “Exchange.” This publication will use the term “Health Insurance Marketplace” which is the language that will be used to implement the ACA.</i></p>
<p>Question 3: What is the purpose of the Health Insurance Marketplace?</p>	<p>Individuals, families, self-employed individuals, and employers who offer health insurance coverage to their employees will be permitted to purchase health insurance coverage on the Health Insurance Marketplace. Qualified health insurance issuers will be permitted to sell qualified health insurance coverage on the Health Insurance Marketplace. The Marketplace may also facilitate the transfer of payments between health insurance buyers and health insurance issuers.</p> <p>Each State will have one Health Insurance Marketplace for the residents</p>

	<p>of that State. Each State’s Marketplace must be operational by October 1, 2013 to permit enrollment for the 2014 enrollment year. Links to each State’s Marketplace can be found at: https://www.healthcare.gov/what-is-the-marketplace-in-my-state/</p>
<p>Question 4: Can an individual, family, self-employed individual or an employer use an insurance agent or broker to purchase health insurance coverage on or off the Health Insurance Marketplace?</p>	<p>Yes. A State may permit registered agents and brokers to enroll individuals, employers or employees in any Qualified Health Plan in the individual or small group market offered through the Health Insurance Marketplace in the State. The Marketplace will also provide “Navigators” who will be qualified to provide information about the health insurance coverage available on the Marketplace.</p>
<p>Question 5: How will premiums be determined for health insurance coverage sold on the Health Insurance Marketplace?</p>	<p>Health insurance premiums will be determined by the health insurance issuers offering coverage on the Health Insurance Marketplace. Only the following factors can be used in setting health insurance premium rates for a particular coverage or plan:</p> <ul style="list-style-type: none"> (a) Whether the plan or coverage covers an individual or family and the size of the family; (b) Geographic rating area in the State; (c) Age (within a ratio of 3:1 for adults over 21); and (d) Tobacco use (within a ratio of 1.5:1).
<p>Question 6: What is a “Qualified Health Plan” (QHP)?</p>	<p>A “Qualified Health Plan” is a health insurance plan that meets the following requirements:</p> <ul style="list-style-type: none"> (a) Provides all “Essential Health Benefits” (EHB) required under the ACA and by the State’s Marketplace and, (b) Meets all criteria for certification defined by the ACA and by the State’s Marketplace; (c) Meets all State and ACA licensing requirements for health insurance issuers offering health insurance coverage in the State.
<p>Question 7: What are the “Essential Health Benefits” included in a QHP?</p>	<p>Health insurance issuers offering health insurance coverage in the individual or small group market must provide coverage that includes the Essential Health Benefits (EHB) package. The EHB includes:</p> <ul style="list-style-type: none"> (a) Ambulatory patient services.

	<ul style="list-style-type: none"> (b) Emergency services. (c) Hospitalization. (d) Maternity and newborn care. (e) Mental health and substance use disorder services, including behavioral health treatment. (f) Prescription drugs. (g) Rehabilitative and habilitative services and devices. (h) Laboratory services. (i) Preventive and wellness services and chronic disease management. (j) Pediatric services, including oral and vision care.
<p>Question 8: What levels of coverage will be available for health insurance coverage sold on the Health Insurance Marketplace?</p>	<p>The level of coverage provided by a health plan is determined by the plan’s “Actuarial Value” (AV). A health plan’s AV is determined by the average share of medical spending that is paid by the plan. A plan with an AV of 70%, for example, means that the insurer will pay 70% of an enrollee’s health care expenses, while the enrollee will pay 30% through a combination of deductibles, co-pays, and coinsurance.</p> <p>The levels of coverage available are:</p> <ul style="list-style-type: none"> (a) A bronze health plan has an AV of 60 percent. (b) A silver health plan has an AV of 70 percent. (c) A gold health plan has an AV of 80 percent. (d) A platinum health plan has an AV of 90 percent <p><i>Comment: Combining Question 7 and Question 8, it should be noted that (a) <u>all</u> health care plans sold on the Health Insurance Marketplace will provide the Essential Health Benefits listed in Question 7 and (b) plans sold on the Health Insurance Marketplace will vary only by their Actuarial Value (percentage of medical expenses paid by the by the insurer (60 to 90%).</i></p>
<p>Question 9: Will an individual or family be permitted to purchase health insurance coverage that covers only “catastrophic” health care events?</p>	<p>Catastrophic coverage will be available for the following persons:</p> <ul style="list-style-type: none"> (a) Persons who have not attained the age of 30 prior to the first day of the plan or policy year, or (b) Persons who have obtained a hardship exemption for the Individual Shared Responsibility requirement.

	<p>Catastrophic health insurance coverage is required to provide 3 primary care visits per year at no cost and also provide preventative benefits at no cost. The full list of preventative benefits is available at: https://www.healthcare.gov/what-are-my-preventive-care-benefits/</p> <p><i>Comment: The Individual Shared Responsibility provision is commonly called the “individual mandate” that requires all persons to maintain health insurance coverage.</i></p>
<p>Question 10: If an individual has existing health insurance coverage or is enrolled in an existing group health insurance plan, can that individual retain that coverage even though it is not one of the four “metal” plans identified in Question 8?</p>	<p>Yes, but only if, the health insurance issuer continues to offer that coverage without changes in that coverage. The ACA defines grandfathered health plan coverage to be coverage provided by a group health plan, or a group or individual health insurance issuer, in which the individual was enrolled on March 23, 2010. A plan will cease to have its grandfathered status if changes (such as elimination of benefits or increases in cost-sharing provisions such as co-pay provisions) in the coverage occur.</p> <p>It should be noted that health insurance issuers offering grandfathered health plan coverage are required to provide some of the provisions contained in the ACA (Guaranteed Availability and Guaranteed Renewability – see Questions 11 and 12 for definitions), but are not required to provide all of the Essential Health Benefits required by the ACA (see Question 6 for definition of EHB).</p> <p><i>Comment: Users for whom this question is relevant should discuss the availability and grandfathered status of their coverage with their health insurance issuer or group health plan provider. Users should also inquire about which provisions of a QHP <u>will not be provided by the grandfathered plan.</u></i></p>
<p>Question 11: Can an individual be denied coverage under a QHP that is offered by a health insurance issuer?</p>	<p>No. A health insurance issuer offering health insurance coverage in the individual or group market in a State must offer to any individual or employer in the State all of the issuer’s products and must accept any individual or employer that applies for those products.</p>

	<p>A health insurance issuer can deny coverage to individuals or groups for the following reasons:</p> <ul style="list-style-type: none"> (a) Geographic reasons (the individual does not live or reside in the geographic region in which the coverage is sold or an employer’s eligible individuals do not live, work, or reside in the geographic region in which the coverage or plan is sold). (b) The health insurance issuer has limited network or financial capacity that would limit additional enrollment. (c) An employer fails to satisfy minimum contribution or group participation requirements contained in State regulation. <p><i>Comment: This question refers to the “Guaranteed Availability” provision in the ACA and relates to the commonly called “pre-existing condition” issue.</i></p>
<p>Question 12: If an individual has health insurance coverage through a health insurance issuer, can that coverage be cancelled by the issuer at the end of the coverage period?</p>	<p>No. A health insurance issuer offering health insurance coverage in the individual or group market is required to renew or continue in force the coverage at the option of the individual or group plan sponsor. An issuer may refuse renewal or discontinue health insurance coverage offered in the group or individual market based only on one or more of the following factors:</p> <ul style="list-style-type: none"> (a) Nonpayment of premiums (b) Fraud (c) Violation of participation or contribution rules (d) Termination of the plan (i.e., the issuer terminates the plan for all individuals or groups) (e) The individual’s movement outside the geographic region in which the coverage or plan is offered. (f) The individual ceases to be a member of the association offering the coverage. <p><i>Comment: This question refers to the “Guaranteed Renewability” provision in the ACA.</i></p>
<p>Question 13: How will individuals, families, and self-employed</p>	<p>A sample form for individuals who might be eligible for financial</p>

<p>individuals apply for health insurance coverage offered on the Health Insurance Marketplace?</p>	<p><u>assistance</u> on the Health Insurance Marketplace can be found at: http://www.cms.gov/CCIIO/Resources/Forms-Reports-and-Other-Resources/Downloads/marketplace-app-short-form.pdf A sample form for <u>individuals who are not eligible for financial assistance</u> on the Health Insurance Marketplace can be found at: http://www.cms.gov/CCIIO/Resources/Forms-Reports-and-Other-Resources/Downloads/marketplace-app-no-financial-assistance.pdf A sample form for <u>families who might or might not be eligible for financial assistance</u> on the Health Insurance Marketplace can be found at: http://www.cms.gov/CCIIO/Resources/Forms-Reports-and-Other-Resources/Downloads/marketplace-app-standard.pdf A sample form for <u>individuals who obtain their health insurance coverage from their employers</u> via the Small Business Health Options Program (SHOP) on the Health Insurance Marketplace can be found at: http://www.cms.gov/CCIIO/Resources/Forms-Reports-and-Other-Resources/Downloads/shop-employee-application-6-12-2013.pdf</p> <p><i><u>Comment:</u> These are sample forms. Copies of the final forms should be obtained from a State's Health Insurance Marketplace website.</i></p>
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Table 2: The Affordable Care Act – Rules for the Operations of Small Business Health Options Program for Employers.

<p>Question 14: Can an employer obtain group plan health insurance coverage for his/her employees on the Health Insurance Marketplace?</p>	<p>Yes. The Small Business Options Program (SHOP) will be operated by the Health Insurance Marketplace in each State and will offer group coverage to qualified employers providing QHPs for their employees and dependents.</p>
<p>Question 15: Which employers will be eligible to purchase employee health coverage on the SHOP?</p>	<p>In 2014 and 2015, each State’s SHOP Marketplace will be available for qualified employers with no more than 50 employees. During 2014 and 2015, States will have the option of making the SHOP Marketplace available to employers with no more than 100 employees.</p> <p>In 2016 and thereafter, each State’s SHOP Marketplace will be available for qualified employers with no more than 100 employees.</p> <p>In 2017 and thereafter, States will have the option of permitting large employers (with over 100 employees) to obtain health coverage for employees and their dependents on the SHOP.</p> <p><i>Comment: For a discussion of the determination of an employer’s number of employees and eligibility to participate in the SHOP, see the companion publication FIRM Fact Sheet 13-02 for Agricultural and Small Business Employers.</i></p>
<p>Question 16: Will all of the provisions that apply to individual health insurance coverage (Guaranteed Availability, Guaranteed Renewability, the “metals” ranking of plans, the list of Essential Health Benefits, etc.) also apply to the group health coverage plans offered through the SHOP?</p>	<p>Yes. See Table 1 of this publication for definitions of these terms.</p>
<p>Question 17: How will employers and their employees apply for health insurance coverage at the Health Insurance Marketplace?</p>	<p>If an employer decides to offer health insurance coverage to its employees through the SHOP, both the employer and the employees must apply for coverage through the SHOP.</p> <p>A sample form for individuals who obtain their health insurance coverage from their employers via the SHOP can be found at: http://www.cms.gov/CCIIO/Resources/Forms-Reports-and-Other-</p>

	<p>Resources/Downloads/shop-employee-application-6-12-2013.pdf</p> <p>A sample form for <u>individuals who obtain their health insurance coverage from their employers</u> via the SHOP can be found at: http://www.cms.gov/CCIIO/Resources/Forms-Reports-and-Other-Resources/Downloads/shop-employer-application-6-12-2013.pdf</p>
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References

Information contained in this publication was obtained from the following sources. Users are encouraged to consult qualified legal or tax accounting advisers to obtain updated information on all issues.

Glossary of ACA terminology

Available at: <https://www.healthcare.gov/glossary/>

Regulations related to the Health Insurance Marketplaces and the Small Business Health Options Program (SHOP)

Department of Health and Human Services. *Questions and Answers for the Health Insurance Marketplace*. Available at: <https://www.healthcare.gov/health-insurance-marketplace/>

Department of Health and Human Services. *Questions and Answers for the Small Business Health Options Program (SHOP)*. Available at: <https://www.healthcare.gov/small-businesses/>

Department of Health and Human Services. *What is the Health Insurance Marketplace?* Available at: <https://www.healthcare.gov/what-is-the-health-insurance-marketplace/#state=michigan>

Department of Health and Human Services. *Patient Protection and Affordable Care Act: Health Insurance Market Rules; Rate Review*. Available at: <http://www.gpo.gov/fdsys/pkg/FR-2012-11-26/pdf/2012-28428.pdf>

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