



Health Insurance Exchange Will Improve Access and Affordability for Many Minnesotans

In the next few years, Minnesotans will see important improvements in the way they access health insurance. The federal Patient Protection and Affordable Care Act (ACA) of 2010 lays out a path for improving access to health care by reforming the nation's health insurance system. This creates a tremendous opportunity to improve health outcomes in the state not only by increasing access to health care, but also by making insurance more affordable, ensuring a basic level of coverage and reducing health disparities.

Minnesotans are already enjoying some of the benefits of health care reform: children can stay on their parents' insurance until age 26, insurers can't deny children coverage for pre-existing conditions, plans must provide preventive services at no out-of-pocket costs, and small employers (including nonprofit organizations) may qualify for tax credits if they offer employee health insurance. And there are significant improvements still to come.

An essential element of the Affordable Care Act is the creation of health insurance exchanges.¹ An exchange is an online competitive marketplace for individuals and small businesses to shop for health insurance, allowing them to compare cost and quality. It is expected that more than one million Minnesotans will access public and private health insurance coverage through the exchange once it is up and running in 2014. Those most likely to directly benefit from the exchange are Minnesotans who cannot access affordable and comprehensive insurance through their employers. However, everyone in the state will gain from overall improvements in the cost and quality of health insurance.

New Exchanges Will Improve Access to Health Insurance

The number of uninsured in Minnesota has been on the rise over the last decade, with one out of 10 Minnesotans under age 65 currently lacking health care coverage. And there are many others who have inadequate insurance, often relying on catastrophic health insurance plans that come with high deductibles and offer little in the way of preventive care. The exchange is expected help reverse this trend by helping 300,000 uninsured Minnesotans gain access to affordable health insurance coverage.²

Individuals and businesses who are content with their current health plans can keep those plans. However, for those who are uninsured or underinsured, the exchange will be a new, easy-to-use one-stop shop to compare private health insurance options and purchase coverage that best fits their needs. It also will link individuals and families to premium tax subsidies based on their income to help make coverage more affordable, and will seamlessly enroll lower-income residents into public health insurance if they, or a family member, qualify. And for small businesses, who often struggle to find or afford coverage for employees, the exchange will provide new choices in coverage options and help simplify the process of buying insurance. All residents seeking coverage through the exchange will benefit from 21st century online tools that will present unbiased information on cost and quality, allowing people to make apples-to-apples comparisons between health care plans.

Many people find that buying insurance on their own can be a daunting experience. Exchanges will fund “navigators” for people who want assistance to explain the application process, assist in evaluating choices, ensure access to available premium tax subsidies and help address any grievances. Navigators will be particularly important for those who face barriers to applying by providing assistance such as culturally or linguistically appropriate materials, or access to the Internet. Community-based organizations are likely to play an important role as navigators in the new system, although small businesses and others who are already comfortable working with a traditional insurance broker may continue to do so.

Tax Credits Will Make Insurance More Affordable

For many Minnesotans, cost is a significant barrier to obtaining comprehensive health insurance. The Affordable Care Act makes insurance more affordable by providing new refundable federal tax credits that will help more than 200,000 low- and moderate-income Minnesotans pay the premiums for private health insurance purchased through the exchange.³ People who do not have access to affordable and comprehensive coverage through an employer and who have taxable income up to 400 percent of the federal poverty line will be eligible for these credits (that is, income up to \$44,680 for an individual or \$92,200 for a family of four). Some people will also qualify for cost-sharing assistance that will limit out-of-pocket costs like deductibles and copayments.

Some small businesses are already eligible for tax credits to help them offer health insurance to their employees. Employers with fewer than 25 full-time employees can apply for the credit if they cover at least 50 percent of the cost of health insurance for their workers and pay average annual wages below \$50,000. The size of these small business tax credits will increase and will only be available through the exchange once it is up and running in 2014.

Essential Health Benefits Package Promises More Comprehensive Coverage

As part of federal health care reform, states are required to decide on a set of “essential benefits” that all health insurance plans sold through the exchange, as well as all new individual and small business plans sold outside the exchange, are required to cover. This will ensure that consumers receive a basic level of services. It also serves to standardize insurance packages to make them easier to compare.

The federal government has identified 10 general categories of benefits that must be covered based on clinical and public health evidence: ambulatory patient services, emergency services, hospitalization, maternity and newborn care, mental health and substance use disorder services, prescription drugs, rehabilitative and habilitative services and devices, laboratory services, preventive and wellness services and disease management, and pediatric services (including oral and vision care).

The federal government has set a broad outline for what must be included in the essential health benefit set and has delegated decisions on specific details to each state. A state will designate its essential health benefits package by selecting one of several “benchmark” health insurance plans currently being offered in the state or at the federal level. Minnesota has the opportunity to choose a benchmark plan that covers an appropriately comprehensive set of benefits to ensure that Minnesotans can access the health care they need.

'No Wrong Door' Policy Will Simplify Enrollment in Health Insurance

One goal of federal health care reform is to make it as easy as possible for people to find and enroll in the most appropriate health care coverage option. This “no wrong door” policy means that a person should be able to access health insurance options using a number of methods – online, over the phone, at a clinic, through a social worker, with an insurance broker, etc. – and be directed to the most comprehensive coverage option with the lowest cost-sharing. Some may learn that they are eligible for a public health care program like Medicaid (known as Medical Assistance in Minnesota). Others may discover that they are eligible for tax credits and cost-sharing subsidies that will help them purchase one of the private health plans offered through the exchange. Of course, much will have to happen behind the scenes to make this “no wrong door” policy work, such as streamlining the application process, improving information systems and training navigators.

Minnesota could go further than just simplifying the process for enrolling in health insurance. The state could also streamline the enrollment criteria and application process for other public programs, allowing individuals to find out if they are eligible for other public benefits, such as food assistance, when applying for health insurance.

The Exchange is an Opportunity to Reduce Health Disparities

Minnesotans of color are more likely to be uninsured than their white peers. In 2011, 14 percent of American Indians, 18 percent of African Americans and 26 percent of Hispanics did not have health insurance, compared to eight percent of white Minnesotans.⁴ The lack of health insurance translates into poor health outcomes. For example, low birth weight and infant mortality are higher among communities of color in Minnesota. And, although the incidence of breast cancer is lower among women of color than among white women, the mortality rate is higher.⁵

While some low-income residents may benefit from Medicaid or other public programs, many low- and moderate-income working families in communities of color have few to no options for affordable coverage today. A well-designed exchange could improve insurance rates in communities of color and help reduce health disparities. Communities of color will benefit, as will all Minnesotans, from the improved access to health insurance, affordability measures and improvements in coverage the exchange offers. In addition, an exchange could also design outreach and marketing materials that are culturally sensitive and linguistically appropriate to more effectively highlight the coverage opportunities available through the exchange. And some navigators should be based in community organizations that have strong connections with communities of color to allow individuals to get assistance from people they already trust.

Accountability will also be important in reducing health disparities. By requiring health plans to report information on health care quality outcomes, the exchange can help consumers choose a health insurance plan that is best for them and their families.⁶

All Minnesotans Will Benefit from the Exchange

A health insurance exchange will simplify the process of shopping for health insurance and make it more affordable for hundreds of thousands of Minnesotans, and will also result in improvements in the system that benefit Minnesota as a whole. For example, the exchange will increase the number

of Minnesotans with health insurance coverage, resulting in a reduction in uncompensated care and unnecessary emergency room visits – costs that today are borne by the health care industry and passed on to the insured, increasing everyone’s premiums. And the creation of an essential health benefit set will ensure that when people buy coverage, they are getting a decent and comprehensive set of benefits both inside and outside of the exchange.

Realizing the full promise of the health insurance exchange to improve health outcomes in Minnesota will depend on the choices policymakers make today as they work through challenging implementation decisions. Minnesota has the opportunity to address significant challenges in our current health insurance system – including making insurance more affordable, ensuring a basic level of services, making it easier to select the right health insurance option and reducing health disparities – but only if it takes a proactive role in designing the exchange and takes advantages of the many tools and options available to the state.

¹ States have until January 1, 2013, to develop a plan for creating their own exchanges, which must be operational by January 1, 2014. If Minnesota does not establish an exchange, we will become part of a federally designed exchange.

² Jonathan Gruber (MIT) and Bela Gorman (Gorman Actuarial), *Coverage and Financial Impacts of Insurance Market Reforms in Minnesota*, November 18, 2011.

³ *Coverage and Financial Impacts of Insurance Market Reforms in Minnesota*.

⁴ Minnesota Department of Health, *Health Insurance Coverage in Minnesota, Early Results from the 2011 Minnesota Health Access Survey*, March 2012.

⁵ Rainbow Research, *Minnesota’s Health Disparities Initiative, Report 4*, April 2008.

⁶ Additional suggestions are available from the Health Insurance Exchange Advisory Task Force document, *Policy Levers for Addressing Health Disparities through the Exchange*, January 2012.