

Shopping for Health Insurance in North Carolina's Federally Facilitated Marketplaces

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North Carolina policymakers had initially planned for North Carolina to run its own health insurance marketplaces, but they have since decided to leave the operation of the marketplaces to the federal government alone. This article explores what it will mean for North Carolina to have federally facilitated marketplaces.

The health insurance marketplace (also called a health benefit exchange) is a key component of the health insurance expansion to be brought about by the Patient Protection and Affordable Care Act of 2010 (ACA) [1]. Although the legislation states that each state shall establish "an Exchange," states will actually have 2 marketplaces: One will provide online, telephonic, and in-person assistance to help individuals shop for and purchase private health insurance coverage; the other marketplace will offer the same types of assistance for small businesses that are seeking group coverage for their employees. The marketplaces are intended to increase health insurance coverage by providing a 1-stop shop for accessing new federal health insurance subsidies and tax credits for eligible consumers or small businesses, as well as allowing for easier comparison of plans based on cost and quality.

The key functions of the health insurance marketplaces include certifying and monitoring private health plans to be offered on the marketplace to ensure that they meet minimum standards; determining eligibility for subsidies and coordinating eligibility determinations with the state's Medicaid program and the Children's Health Insurance Program (CHIP); providing online consumer assistance; and facilitating enrollment into selected coverage. Marketplaces are required to be open and to begin processing applications by October 1, 2013, for enrollment in coverage effective January 1, 2014.

The ACA anticipated that each state would establish its own marketplaces, but it requires the federal government to run the marketplaces in states that choose not to operate their own. Because of the short timeline for implementation, the federal government also developed a third option in which states are allowed to take on some functions of the federal marketplaces, including in-person consumer assistance and plan certification and oversight. This model, referred to as the state-federal partnership, allows states

to take on functions with which many states already have experience.

Requirements for Health Plans

The ACA places many new requirements on the health insurance plans that will be available for individual and small-group (50 or fewer employees) coverage beginning in 2014. (Some of the plans that were in place on or before March 23, 2010 are exempt from some of these new requirements.) For example, plans will be required to cover a minimum set of benefits based on a benchmark plan (called essential health benefits). There are 10 required-coverage categories that are part of the essential health benefits. Plans will also be required to meet new cost-sharing requirements, including limitations on out-of-pocket costs [2]. Insurers will be prohibited from rejecting enrollees and will not be allowed to set premiums based on an enrollee's health conditions. In fact, premiums for a given health insurance plan will vary based on only 3 factors: residence or employer location, member age, and tobacco use. Additionally, insurers will be prohibited from excluding coverage for preexisting conditions. All of these requirements apply to coverage offered both inside and outside the health insurance marketplaces [3].

There are additional requirements for plans offered through the marketplaces. For example, these plans will need to include a sufficient number and geographic distribution of "essential community providers" (generally safety-net providers) in their networks [4]. All plans offered by a single insurer in the federally facilitated marketplaces must be meaningfully different, to prevent insurers from flooding the marketplaces [5]. Additionally, insurers must price plans outside the marketplaces the same as similar plans inside the marketplaces [6].

At the time of this writing, the North Carolina Department of Insurance (NCDOI) was aware of 3 issuers that have applied to offer coverage to individuals through the federally-run marketplace in North Carolina, and 1 issuer that has applied to offer coverage to small groups in the federally-run

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marketplace. Other issuers will continue to sell insurance outside the marketplaces; however, consumers purchasing these plans will not have access to federal subsidies.

Availability of Subsidies

Individuals and families without access to public or “affordable” employer coverage who are legally residing in the United States and have household incomes between 100% and 400% of the federal poverty level can receive subsidies to help offset the cost of premiums for health insurance plans purchased through the marketplace [7]. (Employer coverage is considered to be affordable if the employee share of the premium for self-only coverage is no more than 9.5% of the employee’s household income [8].) Additionally, those with incomes between 100% and 250% of the federal poverty level can receive financial assistance to help cover out-of-pocket costs, such as copayments, deductibles, and coinsurance [9].

Table 1 outlines a range of sample subsidy amounts. The subsidy level is determined using a sliding scale based on income and on the premium for a benchmark plan (defined as the second-lowest cost “silver” plan—one that covers 70% of costs on average [10]). For example, a family of 4 with a household income that is 200% of the federal poverty level (for 2013, that would be \$47,100) [11] would not pay more than 6.3% of its annual income, or \$2,970, for the benchmark plan. If the benchmark annual premium for families were \$12,500, the family would receive a tax credit of \$9,530. If the family chose a plan that was more expensive or less expensive than the benchmark plan, the subsidy would remain the same, and the family would pay, or get a tax credit for, the difference in premiums.

Individuals or families who receive a subsidy during the year will be required to file a tax return confirming their annual household income in order to reconcile the amount received with their actual income for the year. If an underpayment of premium tax credits is found, an additional tax credit will be applied to the tax return. If an overpayment of tax credits is found, the individual or family will be required to repay that amount. For those with incomes below 400% of the federal poverty level, the liability for repayment is limited to a maximum of \$1,250 for individuals or \$2,500 for families filing jointly for the 2014 tax year [12].

Marketplace for Small Businesses

Small employers (those with fewer than 51 employees) will be able to compare and purchase health insurance coverage through the Small Business Health Options Program (SHOP). The SHOP will allow employers to compare health insurance options based on premiums, benefit levels, and quality. The SHOP will expand to include employers with up to 100 employees starting in 2016. In 2017 states have the option to expand the SHOP to businesses with more than 100 employees [13].

Employers with 25 or fewer full-time employees with

an average annual wage below \$50,000 can qualify for tax credits to offset the cost of providing health insurance coverage to their employees. In 2014, these small employers, if they cover at least 50% of the cost of their employees’ health insurance premiums, can claim a tax credit of up to 50% (or 35% if the employer is a nonprofit) of health insurance premiums paid. Small employers with fewer than 10 employees who have an average annual wage of less than \$25,000 are eligible for the full credit. The size of the credit decreases as employer size and the average wage level of employees increase [14].

One expected benefit of the SHOP is that employees will have more choices for health insurance plans. In the SHOP, employers will be able to offer multiple health plan options and to allow employees to choose between those options. To facilitate employee choice, the SHOP will also offer a premium aggregation service to employers, which will simplify the payment of employee premiums to multiple insurers. The employee choice model with the associated premium aggregation will not be available through the federally facilitated SHOP marketplaces until 2015 [12].

Today, most employers work with agents and brokers to select health insurance plans and to enroll employees. Within the SHOP, most small businesses will likely continue working through an agent or broker who can help them select and purchase health insurance plans and can provide administrative assistance with billing and claims-related issues. Focus groups with small businesses in North Carolina showed that many employers value the guidance, education, and administrative help that agents and brokers provide. Small businesses are often overwhelmed by the task of offering health insurance to their employees and rely on an agent or broker for support (K. Holladay, unpublished report, 2012).

North Carolina’s Marketplaces

In 2010 and 2011, North Carolina stakeholders, including the North Carolina Institute of Medicine, recommended to policymakers that the state operate its own health insurance marketplaces [15]. During the 2011 legislative session, the North Carolina House of Representatives passed legislation (House Bill 115) to establish state-operated marketplaces, but the legislation was not heard in the Senate. At the end of the session, however, the North Carolina General Assembly did pass legislation [16] stating its intent “to establish and operate a state-based health benefits Exchange,” and it authorized the NCDOI and the North Carolina Department of Health and Human Services (NCDHHS) to “collaborate and plan in furtherance of the requirements of the ACA.” The NCDOI was awarded a grant to develop plans for state-operated marketplaces. No action was taken by the legislature during the 2012 session. On November 15, 2012, Governor Beverly Perdue declared that North Carolina would have a state-federal partnership for 2014 and would continue to work toward state-based marketplaces, per the stated legislative intent [17].

TABLE 1.
Sample Health Insurance Contributions and Premium Subsidies for a Benchmark Plan, by Annual Household Income

Percentage of 2013 federal poverty level	Annual household income		Premium cap for benchmark plan as a percentage of income	Annual contribution for benchmark plan		Premium subsidy	
	Individual	Family of 4 people		Individual	Family of 4 people	Individual	Family of 4 people
100%	\$11,490	\$23,550	2.00%	\$230	\$470	\$4,770	\$12,030
150%	\$17,235	\$35,325	4.00%	\$690	\$1,410	\$4,310	\$11,090
200%	\$22,980	\$47,100	6.30%	\$1,450	\$2,970	\$3,550	\$9,530
250%	\$28,725	\$58,875	8.05%	\$2,310	\$4,740	\$2,690	\$7,760
300%	\$34,470	\$70,650	9.50%	\$3,270	\$6,710	\$1,730	\$5,790
400%	\$45,960	\$94,200	9.50%	\$4,370	\$8,950	\$630	\$3,550

Note. Subsidies are tied to the premium cost of a benchmark plan—the second-cheapest “silver” plan (one that pays 70% of costs). This table assumes that the annual health insurance premium for that benchmark plan is \$5,000 for an individual and \$12,500 for a family of 4 people. Contribution amounts are rounded to the nearest \$10.

In February 2013, however, the North Carolina General Assembly passed legislation that repealed the 2011 intent to establish state-based marketplaces and that prohibited state agencies from participating in a state-federal partnership or forming state-run health insurance marketplaces. On March 6, 2013, Governor Pat McCrory signed this bill [18]. As a result, the federal government will operate North Carolina’s health insurance marketplaces in 2014 and will continue running them unless state policymakers determine otherwise.

Although North Carolina will not play a formal role in the implementation and operation of these federally facilitated marketplaces, implementation will have an impact on state agencies. For example, NCDHHS’s Medicaid eligibility system will need to interface with the federal marketplace to provide a “no wrong door” approach to eligibility determinations. NCDOI’s Health Insurance Smart NC call center, which assists consumers with health insurance issues, expects to receive an increase in call volume because of the changes and choices consumers will face. Finally, the NCDOI will continue to review health plans and rates to ensure their compliance with applicable laws, and to monitor health insurance practices for all plans, including those offered through the new marketplaces.

A study sponsored by the Society of Actuaries [19] projects that the North Carolina individual coverage marketplace will have nearly 900,000 enrollees in 2014—roughly 200,000 more than would have been expected had North Carolina elected to expand Medicaid coverage to include adults with household incomes up to 138% of the federal poverty level. Approximately 500,000 of the new enrollees are expected to have been previously uninsured. Based on these projections, North Carolina’s individual insurance market will more than double, and roughly 85% of those seeking individual coverage will enroll through the federally facilitated marketplace. More than 80% of marketplace enrollees are expected to be eligible for federal subsidies. Thus, a large proportion of North Carolina’s insurance market will be under some level of federal control. It is important

to note that these projections are based on economic modeling; actual enrollment may vary and could depend on the level of consumer assistance provided to North Carolinians.

In contrast to the individual marketplace, the SHOP marketplace for small businesses is expected to make up only a small proportion of the market for small-group coverage. A 2011 study prepared by Milliman, Inc., for the NCDOI [20] estimates that only 51,000 individuals (employees and dependents), constituting less than 10% of the market for small-group coverage in 2014, will receive coverage through the SHOP. Actual enrollment in 2014 may be far less, given that the SHOP marketplace will not offer the employee choice option until 2015 [21]. Apart from potential tax credits, many employers may see limited value in purchasing health insurance through the SHOP.

As noted previously, the number of individuals who enroll through the health insurance marketplace will likely depend on the level and quality of marketing, outreach, and consumer assistance. [Editor’s note: For more information on consumer outreach efforts, refer to the commentary by Obiol on pages 312-314.] The number of enrollees will affect the future cost of health insurance: The sickest individuals will likely be the first to enroll, and robust outreach and marketing will be needed to bring healthier individuals into the market. The marketplace has limited funding available for these functions; only \$2.25 million has been allocated to fund the navigator grant program, which will establish entities that will provide in-person assistance to North Carolinians [22].

The navigator program will not be the only source of assistance; agents and brokers will also continue to help individuals and businesses with their health insurance purchasing decisions, and insurers can continue to compensate agents and brokers for this service. Agents and brokers wanting to sell products to individuals through the federally facilitated marketplace will need to register with the marketplace and receive federal training [23]. Other individuals and entities can choose to be trained and to serve as certified application counselors; however, they will not receive any compensation from the marketplaces or from insurers.

Conclusion

Despite the state's limited role in the operation of the new federally facilitated health insurance marketplaces, North Carolinians should expect to have access to the benefits available through the marketplaces, including premium subsidies and cost-sharing subsidies for coverage, starting January 1, 2014. The state has the ability to further engage in the operation of the health insurance marketplaces in future years, should it choose to do so. **NCMJ**

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