

## **Exchange Planning Grant Fact Sheet**

### **1. What is an Exchange?**

At the most basic level, an Exchange is a “store” or marketplace for private health insurance. It is designed to promote efficiency and competition in the health insurance markets for individuals and small employers by reducing transaction costs, increasing transparency, and facilitating comparison shopping based on price and quality. Under the Affordable Care Act, an Exchange is also required to determine eligibility for tax subsidies and Medicaid.

### **2. How might an Exchange work?**

There are many ways an Exchange could be established. It could function as a selective purchaser of coverage by limiting the number of “qualified plans” or it could function as a passive intermediary that does not attempt to bargain on behalf of buyers. It could perform enrollment and premium collection, or it could leave that function to the carriers. It could operate on a multi-state basis, or multiple Exchanges could be set up within a state. The Exchange could be a state agency, or it could be a non-profit corporation. The non-group Exchange and the small employer Exchange could be combined, or they could be separate. The functions of the Exchange could be coordinated or integrated with Medicaid or they could be separated. There are many ways in which these options may be combined. For example, the Exchange established in Utah is a defined contribution model that allows employees to access the employer contribution through the Exchange to give the employees the ability to choose from the full range of insurance plans offered through the Exchange.

### **3. What is an Exchange Planning Grant?**

An Exchange planning grant is a noncompetitive grant in the amount of one million dollars that the federal government made available to each state to enable the state to determine whether to establish a state based Exchange and to evaluate the design options for a state based Exchange. Acceptance of the Exchange planning grant does not commit a state to establishing a state based Exchange. A state may determine after evaluating the options and requirements imposed by federal law that it will not establish a state based Exchange.

### **4. What is an Early Innovator Grant?**

An Early Innovator Grant is a grant awarded by the U.S. Department of Health and Human Services to assist states in designing and implementing the Information Technology (IT) infrastructure needed to operate Health Insurance Exchanges. The

technology that is developed with the early innovator grants will be reusable and transferable to different Exchange models, including both state and federal based Exchanges. The grants have been given to a number of different states from different regions to ensure that a wide range of information technology models are developed. The New England states have been awarded approximately 35 million dollars to develop information technology to support an Exchange.

**5. What is an Exchange Implementation Grant?**

An Exchange Implementation Grant is a grant provided by the federal government to provide financing to a state to develop a state based Exchange. The federal government has assumed responsibility for all state costs related to the establishment and development of a state based Exchange and will provide that funding through Exchange Implementation grants.

**6. What are other states doing about these grants?**

All states, with the exception of Alaska, have received one million dollar Exchange Planning Grants. Most states are using the grant funds to determine whether they will establish a state based Exchange and how that Exchange will be designed. Louisiana received grant funds, but has now decided to return the grant funds and not proceed with the establishment of a state based Exchange. This puts Louisiana in a similar position as Florida whose Governor has stated that Florida is not doing anything with regard to the Exchange. Florida has not indicated whether it is returning the grant funds.

**7. What options might be considered by the legislature?**

The New Hampshire General Court has a number of available options. It could determine that it is not interested in proceeding with a state based Exchange and affirmatively decide to default to the federal option. Alternatively, it could adopt enabling legislation authorizing the creation of a state based Exchange. The enabling legislation would need to address a number of issues, including, but not limited to, the following: 1) Should an Exchange be operated by the state or a non-profit entity? 2) What functions should an Exchange perform? Should it conduct enrollment, collect premium, and determine the qualification of plans sold in the Exchange? 3) If an Exchange is not operated by a state agency, what regulatory authority should the Exchange have over the carriers that provide insurance in the Exchange and what relationship should the Exchange have to the New Hampshire Department of Insurance? 4) Should a single Exchange serve both the individual insurance market and the small group insurance market? 5) What is the role of insurance producers in an Exchange?

**8. What happens if New Hampshire does not establish a state based Exchange?**

Federal law provides that if New Hampshire does not establish a state based Exchange that the federal government will establish a federal Exchange in New Hampshire and that New Hampshire will be responsible for the costs of operating the Exchange. If a federally based Exchange is established in New Hampshire, the federal government will

make all eligibility and enrollment determinations with respect to the Medicaid program and the state will be responsible for paying its state share.

**9. What does acceptance of the planning grant commit New Hampshire to do?**

New Hampshire is committed only to conducting the planning activities set forth in its grant application and contract. New Hampshire's planning process includes five discrete segments:

- a. Segment 1 requires the development of a conceptual model that describes the purposes, goals and functions of an Exchange in New Hampshire.
- b. Segment 2 is an economic and demographic analysis to assess the anticipated use of the Exchange and the potential impact of different Exchange models on the commercial insurance market.
- c. Segment 3 provides for on the development of a macroeconomic model that is designed to predict migration between Medicaid and commercial insurance, as well as the respective demographics of the populations that are likely to obtain coverage through the Exchange. Issues pertaining to the potential for adverse selection against a different market segments will be addressed in this portion of the planning process.
- d. Segment 4 requires public outreach and education that will provide guidance in the structure and design of the proposed options for an Exchange.
- e. The final Segment 5 analyzes the business process and information technology needs that will be required to support the establishment of the various Exchange options.

Under the grant, New Hampshire is committed only to proceeding with its planning process. Acceptance of the grant funds does not commit New Hampshire to establish a state based Exchange, nor is New Hampshire required to return the grant funds if it determines that the federal default option is the preferred approach.