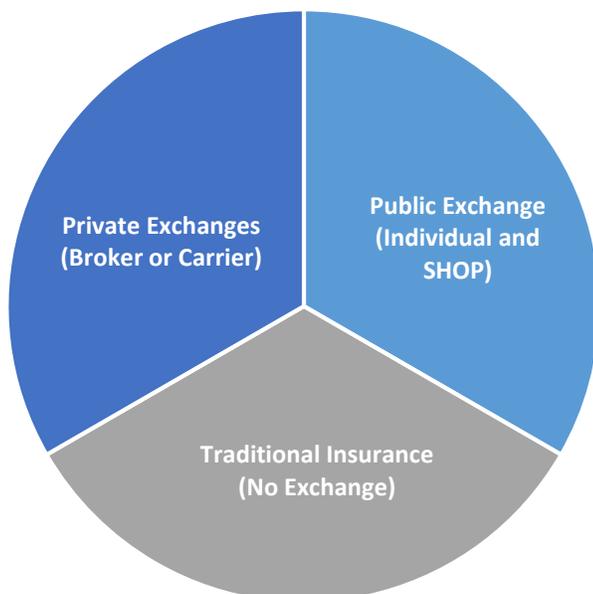


## Public and Private Insurance Exchanges

The Affordable Care Act (ACA) requires each state to have a competitive marketplace for individuals and small businesses to purchase private health insurance. This government-created exchange is known by many names, including “Affordable Health Insurance Exchange,” “Health Insurance Marketplace,” or most commonly, the “Public Exchange.” Some states created their own Public Exchanges, but most decided to use the federal exchange, [www.healthcare.gov](http://www.healthcare.gov).

A Public Exchange allows for direct comparisons of qualified health plans (QHPs) on the basis of price, quality and other factors. QHPs are grouped into four “precious metal” tiers based on their actuarial value: platinum, gold, silver, and bronze. A Public Exchange also coordinates eligibility for subsidies such as premium tax credits and cost-sharing reductions. Each state’s Public Exchange will have an **individual market** component and a component for small employers, which is called the **Small Business Health Options Program (SHOP)**.

Privately-run health insurance exchanges existed long before the Public Exchange websites launched in 2013-14. Like the Public Exchanges, private exchanges allow **individuals** and **businesses** to compare options and shop for coverage, and come in two varieties focused on those markets. Unlike the Public Exchanges, individuals who enroll in coverage through a private exchange will not be eligible for premium tax credits or subsidized cost-sharing reductions.



There are now three ways to purchase health insurance from a private insurance company. Two involve shopping on a type of website called an “exchange.”

## Public Exchange – Individual Market

- **Purpose.** The Public Exchange was created to allow individuals to shop for private individual health coverage and learn if they could qualify for premium or cost-sharing subsidies or government-run programs such as Medicaid or the Children’s Health Insurance Program (CHIP).
- **Plans.** All plans sold on the Public Exchange are QHPs provided by private insurance companies. However, not all insurers are required to offer their plans on the Public Exchange and some choose not to do so. Plan availability also varies by county. For example, 15 carriers offered coverage on Wisconsin’s Public Exchange in 2015, but only six offered coverage in Waukesha County.
- **Enrollment.** Open enrollment for the 2015 plan year began on November 15, 2014, and ended on January 15, 2015. As a result, individuals can no longer enroll in coverage for 2015 through the Public Exchange unless a special enrollment period applies. **Open Enrollment for coverage starting in 2016 will run from November 1, 2015 until January 31, 2016.**
- **Eligibility.** An individual will be eligible to enroll in a QHP through a Public Exchange if he or she:
  - 1) Is a citizen, national or non-citizen lawfully present in the U.S., and is reasonably expected to remain so for the entire period for which enrollment is sought,
  - 2) Is not incarcerated, and
  - 3) Resides in the state covered by the Exchange.
- **Subsidies.** To qualify for premium tax credits or cost-sharing reductions, an individual must:
  1. Enroll in one or more *qualified health plans* through the Public Exchange;
  2. *Not be eligible* for coverage under an *employer-sponsored* plan that is affordable and provides minimum value or a government-sponsored program;
  3. *Not be claimed as a tax dependent* of another taxpayer;
  4. *File a joint return*, if married; and
  5. Have annual *household income* between 100%-400% of the federal poverty guidelines for the taxpayer’s family size. For example, 100%-400% of the 2014 guidelines ranged from \$11,670-\$46,680 for an individual and \$29,820-\$119,280 for a family of four.
- **Employer Penalties.** If an “applicable large employer” (an employer with an average of 50 or more full-time and full-time equivalent employees) does not offer affordable coverage that provides minimum value to employees and their dependents, and a full-time employee receives a subsidy on the Public Exchange, the employer may be subject to an “employer shared responsibility” penalty under the ACA’s employer mandate.
  1. Applicable large employers with 100 or more full-time and full-time equivalent employees were required to comply beginning in 2015. Applicable large employers with fewer than 100 full-time and full-time equivalent employees were given an extra year to comply, until 2016.
  2. The “play or pay” penalty is triggered only when an applicable large employer does not offer coverage, and a full-time employee receives a premium tax credit or cost-sharing reduction for coverage through the Public Exchange.
  3. The “play and pay” penalty is triggered when an applicable large employer offers coverage that fails to meet ACA standards for affordability or minimum value, and a full-time employee receives a premium tax credit or cost-sharing reduction for coverage through the Public Exchange.
    - **Important Note:** Employees who are offered ACA-compliant coverage by their employer are not eligible for subsidies on the Public Exchange.

## Public Exchange - Small Business Health Options Program (SHOP)

- **Purpose.** The SHOP exchange was created to give small employers the opportunity to provide employees with a choice of health plan options and to give small businesses the same purchasing power as large businesses.
- **Employer Eligibility.** To participate in the SHOP, an employer must
  - 1) Have a principal business address within the SHOP's state, or have an eligible employee with a primary worksite within the SHOP's state,
  - 2) Have at least one common-law employee on payroll, and
  - 3) Employ 50 or fewer full-time equivalent employees (including part-time employees).
  - **Important Note:** SHOP will be available for employers with 100 or fewer full-time equivalent employees no later than January 1, 2016.
- **Participation and Enrollment.** Eligible employers may enroll on the SHOP exchange at any time in the year as long as at least 70% of employees participate. Participation requirements are waived during the annual open enrollment period. This period will run from **November 15 to December 15** for coverage effective January 1, 2016.
- **Subsidy Eligibility.** Small employers that purchase coverage through the SHOP may be eligible for a tax credit of up to 50 percent of their premium payments if they have 25 or fewer employees, pay employees an average annual wage of \$50,800 or less, offer all full-time employees coverage, and pay at least 50 percent of the premium. Individuals are not eligible for premium tax credits on the SHOP exchange.
- **Employee Choice.** Employers may offer a single plan on the SHOP exchange or give employees the option of enrolling in any plan in a metal level. If employees are given a choice of plans, the employer must select a reference plan upon which the employer's contribution will be based. Employees may choose to enroll in other plans within that tier, even from different insurance companies, but the amount the employer's contribution is the same as it would be for the reference plan. Employees pay the difference if they select a more costly plan.

## Private Exchanges – Group Market

- **Purpose.** A private exchange allows an employer to sponsor group coverage that gives employees the opportunity to choose among a menu of plans pre-selected by the employer.
- **Defined Contribution.** Some employers may use the private exchanges to offer a defined contribution model of purchasing health coverage. Under this model, employers provide employees with a defined amount of money and direct them to an exchange where they can select a health plan from an array of options.
- **Plan Choice.** Private exchanges have the potential to provide more flexibility than the ACA's Exchanges. They can offer a broader range of insurance products, such as life insurance, and their products can be tailored for different employer segments. In addition, private exchanges can include more carriers and plan options than may be available on the public SHOP exchange.
- **Availability.** Although the ACA prohibits large employers from using the SHOP exchange until at least 2017, the ACA does not restrict access to private exchanges. Each private exchange is free to create its own eligibility criteria. Thus, all employers could in theory use a private exchange to provide group health insurance benefits to their employees, but in practice some private exchanges may choose to work only with employers of a certain size, such as those with fifty or more employees.
- **Subsidy Eligibility.** Employers and individuals who obtain coverage through a private exchange are not eligible to receive ACA tax credits or cost-sharing reductions.

## Private Exchanges – Individual Market

- **Purpose.** In the individual market, a private exchange allows an individual consumer to compare and select among the plans participating in that private exchange.
- **Plan Choice.** Private exchanges typically offer a wider variety of health plan choices than the Public Exchanges, as well as the option of enrolling in non-QHP ancillary benefits.
- **Availability.** Private exchange coverage is available to a broad range of individuals. Individual eligibility is determined according to the rules of each exchange plan.
- **Subsidy Eligibility.** Individuals who obtain coverage through a private exchange are not eligible to receive ACA tax credits. However, some private exchanges will notify individuals who may be for a subsidy and refer them to their state's Public Exchange website.