



Toward an Effective Health Insurance Exchange

A Roadmap to Successful Health Care Reform

Maura Calsyn June 2012

Introduction and summary

The central goal of the Affordable Care Act—to ensure that all Americans have access to quality health care—is a dramatic departure from the longstanding approach to health care in this country. The means of accomplishing this goal, however, are far from revolutionary. The legislation both preserves the private market for health care insurance and creates new, virtual marketplaces for uninsured individuals and small businesses to shop for health insurance products. These marketplaces—called exchanges—will provide both individuals and small businesses with one-stop, streamlined shopping for health insurance. When the exchanges are up and running, an estimated 20 million to 23 million Americans will use these markets to obtain health insurance.¹

The exchanges will not replace existing health insurance markets. Thus, much of their success will depend on how well their design and operation account for the specific health care environments in which they will operate. States are currently responsible for regulating most health insurance, and state insurance markets vary greatly due to different legal requirements as well as differences in demographics and geography. Because of these differences, the Affordable Care Act intended the exchanges to be state run: The law gives states first crack at designing and implementing the exchanges within its broad requirements and offers funding to help states with these efforts.

If a state elects not to implement an exchange or is unable to have a functioning exchange ready by 2014, the health reform law requires the federal government to run the exchange on behalf of the state.² Four states—Arkansas, Louisiana, New Hampshire, and Maine—have announced that they will not pursue a state-run exchange. Additionally, it is likely that a federally facilitated exchange will also operate in many other states: Seventeen states have yet to begin exchange planning or implementation efforts and progress in other states has been very slow.³ States may also choose a hybrid “partnership” exchange; taking day-to-day responsibility of plan management and customer assistance in a federally facilitated exchange.⁴

The design and implementation of the federally facilitated exchange presents a significant challenge requiring federal policymakers to coordinate closely with each state, taking into account the state's existing insurance market, specific health care needs, and political environment. But the federally facilitated exchange also offers an opportunity to advance reforms that help constrain health care costs and encourage the delivery of high-quality care. This paper suggests policies for the federally facilitated exchange to accomplish these goals, specifically:

- Creating state-specific advisory boards to advise federal policymakers about local health care environments
- Utilizing a variety of tools, including active purchasing, to reduce costs and encourage quality care

The federally facilitated exchange will be crucial to the success of the Affordable Care Act. The opportunity to design and implement an exchange that is consumer focused, offers high-value products, and fosters needed reform should not be squandered.

The Center for American Progress is a nonpartisan research and educational institute dedicated to promoting a strong, just, and free America that ensures opportunity for all. We believe that Americans are bound together by a common commitment to these values and we aspire to ensure that our national policies reflect these values. We work to find progressive and pragmatic solutions to significant domestic and international problems and develop policy proposals that foster a government that is “of the people, by the people, and for the people.”

