

Fact Sheet

Health Care Reform:

Understanding Kentucky's Health Benefit Exchange



On March 23, 2010, the Patient Protection and Affordable Care Act (ACA) was signed into law. The new health care law is designed to ensure that all Americans have access to affordable, quality health care. To achieve this, the law introduces many reforms to our health care system over the next decade. Many of these reforms are already making a difference for Kentuckians (See figure 1).

One of the most significant ACA reforms is the requirement for states to create, health benefit exchanges (HBEs) or default to a federally operated exchange. These HBEs will function as virtual marketplaces where individuals and small businesses can compare health plans, find out if they are eligible for tax credits for private health insurance or programs like Medicaid, and enroll in a health plan that meets their needs. The Cabinet for Health and Family Services (CHFS) is working towards establishing a state-based Health Benefit Exchange (HBE) in Kentucky that will be operational in 2014.

Figure 1

ACA Reforms Already Benefiting Kentuckians

Covering preventive services with no deductible or co-pay – New health plans must cover preventive services (e.g. mammograms) with no co-pay. As a result, 732,000 Kentuckians with private health insurance have gained preventive service coverage.

Providing new coverage options for young adults – Health plans must allow young adults to remain on a parent's health insurance until their 26th birthday. As of December 2011, 48,000 young Kentuckians have maintained coverage.

Removing lifetime limits on health benefits – The law bans insurance companies from imposing lifetime dollar limits on health benefits. Already, 1,414,000 residents, including 528,000 women and 362,000 children, are free from worrying about lifetime limits on coverage.

Providing coverage for children with pre-existing conditions – Health insurers cannot deny coverage to children under the age of 19 based on a pre-existing condition. Up to 17 million children nationwide with pre-existing conditions will no longer be denied coverage.

Making prescription drugs affordable for seniors – Nearly 69,438 Kentuckians with Medicare received a \$250 rebate to help cover their prescription drugs and 15,909 received a 50 percent discount on their covered brand-name prescription drugs.

Providing better value for your premium dollar through the 80/20 Rule – Health insurers are required to spend 80 percent of premiums they collect on benefits and quality improvement. If insurance companies do not meet this goal because administrative costs or profits are too high, they must provide rebates to consumers. So far, this has benefited 249,275 Kentuckians with over \$15 million in rebates.

Source: (U.S. Department for Health and Human Services, 2012)

How will Kentucky's health benefit exchange affect consumers?

Beginning January 1, 2014, individuals and small employers in Kentucky will be able to shop for insurance coverage through a web-based marketplace or HBE just as they would go online to purchase airline tickets or book a hotel.

Exchanges will allow for easy comparison of available insurance plan options based on participating providers, price, benefits and services, and quality. In addition, individuals can use the HBE to find out if they are eligible for new affordability programs or subsidies to make insurance more affordable such as premium tax credits or programs like Medicaid and the Children's Health Insurance Program (CHIP).

The Frequently Asked Questions (FAQ) portion of this factsheet will address in more detail how consumers might be affected by HBEs.

Fact Sheet Continued on Next Page...

Questions about Kentucky's Health Benefit Exchange (HBE)

What happens if I don't have health insurance?

Beginning January 2014, the uninsured and self-employed will be able to purchase insurance through the HBE. Most Americans will be required to have insurance by this time or pay a penalty. For individuals who can afford insurance but decline to purchase coverage, the annual penalty would start at \$95, or up to 1% of income, whichever is greater, and rise to \$695, or 2.5% of income, by 2016. The annual penalty for families is \$2,085, or 2.5% of household income, whichever is greater.

Will I be required to give up my current insurance coverage?

No. Health plans in effect as of March 23, 2010 are grandfathered under the law and will be considered "qualified coverage," meeting the mandate to have health insurance beginning January 2014. But, just as before the ACA passed, employers offering health insurance still have the freedom to change premiums, deductibles, co-pays, and network coverage.

I want health insurance but I can't afford it. What will I do?

Depending on your income, you might be eligible for Medicaid. You can determine eligibility through the HBE. Currently, in most states nonelderly adults without minor children don't qualify for Medicaid. But beginning in 2014, the federal government is offering to pay the cost of expanding Medicaid so that anyone with an income at or lower than 133 percent of the federal poverty level (FPL), (\$14,856 for an individual or \$30,656 for a family of four, based on current guidelines) may be eligible for Medicaid. At this time, Kentucky has not decided whether to expand Medicaid coverage to individuals with income lower than 133 % of the FPL.

What if I make too much money for Medicaid but still can't afford to buy insurance?

You might be eligible for government subsidies to help you pay for private insurance sold in the HBE. You can determine eligibility through the HBE. These premium subsidies will be available for individuals and families with incomes between 133 and 400 percent of the FPL, or \$14,856 to \$44,680 for individuals and \$30,656 to \$92,200 for a family of four (based on current FPL guidelines).

Will it be easier for me to get coverage even if I have health problems?

Insurers will no longer be able to reject applicants or charge more based on their health status once the HBE is operating in 2014.

I own a small business. Will I have to buy health insurance for my workers?

No employer is required to provide insurance. But starting in 2014, businesses with 50 or more employees that don't provide health insurance and have at least one full-time worker who receives subsidized coverage in the HBE will have to pay a fee of \$2,000 per full-time employee. The firm's first 30 workers would be excluded from the fee. However, if you have a firm with 50 or fewer people, you won't face any penalties. In addition, if you own a small business, the ACA offers a tax credit to help cover the cost of providing insurance if you choose to do so. Today, employers with 25 or fewer full-time workers who earn an average yearly salary of \$50,000 or less can get tax credits of up to 35 percent of the cost of premiums. The tax credit increases to 50 percent in 2014.

The Need

- Approximately 640,000 Kentuckians are uninsured—14.9% of our population.
- Many small businesses in Kentucky (those with fewer than 50 employees) do not offer health insurance.

The Opportunity

- Kentuckians will be eligible for subsidies to help pay for insurance purchased through the HBE.
- Kentucky small businesses will be eligible for tax credits to provide insurance through the HBE.

For more information, contact the Office of the Kentucky Health Benefit Exchange



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