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Health Insurance Exchanges: Are We Ready?

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In January 2014, all legal residents of the United States will be eligible for health insurance coverage. Health insurance exchanges have been set up that will allow purchasers to choose individual nongroup plans. The Patient Protection and Affordable Care Act (ACA) has provided for subsidies to ensure that the coverage is transparent and accessible. Tax credits and low-cost insurance plans promise to make coverage affordable for everyone, especially those lower-income nonpoor residents who previously were ineligible for government-sponsored (or private) insurance. Enrollment was set to begin in October 2013.

Alas, Americans do not understand the plan. A Gallup poll found that just under half of uninsured Americans are unaware that they have to purchase a plan or face a penalty in 2014. (Overall, 19% of Americans were unaware of the penalty, suggesting that those who have insurance understand the ACA better than the uninsured.) Additionally, studies show that only 14% of recent poll respondents understood basic insurance terms such as copay, deductible, co-insurance, and out-of-pocket maximum.

The outcry against the ACA continues, with naysayers concerned about a variety of issues ranging from budgetary matters to the loss of physician autonomy to crowding in overworked primary care offices to invasion of privacy. It confounds the opposition that the plan is essentially a reworking of the conservative Heritage Foundation's 1989 essay by Stuart Butler, titled "Assuring Affordable Health Care of All Americans." The Obama Administration has allowed for confusion by not mounting either a defense or a strong public service message that tells us what the ACA actually provides.

The focus on states' rights has, of course, confounded the issue. In a very real sense, we are grappling to understand how the 50 states, Washington D.C., and various territories fit into the federal scheme. The Obama Administration had anticipated that most states would create their own health insurance exchanges, but in fact 33 have chosen to let the federal government operate them. Furthermore, the ACA had anticipated (almost 100%) federal funding of Medicaid expansion as a fundamental component of ensuring coverage for all. Since the Supreme Court struck down state requirement for expansion, 21 states have refused to participate, and (as of this writing) six have not decided on whether to do so. We do not yet know how people financially eligible for Medicaid will receive insurance in those states.

Regardless, the individual mandate is nearly upon us. The core of the next phase, the exchanges, is modeled on similar plans in European countries. In the United States, participating insurance companies list benefits and costs under four broad areas of coverage: platinum, gold, silver, and bronze. The costs of the plans, their mandatory (e.g. no co-pay for preventive services) and optional benefits, and their limits are detailed. Computer programs allow individuals to enter diagnoses, medications, and budget constraints to generate a list of plans that fit their needs. For those who have difficulty with the enrollment process, the ACA has mandated that paid navigators be available to help. For qualified individuals, subsidies are advanceable and refundable. For those who opt out, the penalty will be assessed through income tax filings. Penalties will be low in 2014 ($95 for individual, $47.50 for children, $285 per family for those making less than $50,000, and 1% of income for those earning $50,000 or more) but will rise in 2015 and 2016, leveling off at a maximum of $2,085 per family or 2.5% of income.

If your patients express confusion, you can direct them to several nonpartisan websites. For example, the Kaiser Family Foundation has a cartoon that illustrates the major components of the ACA. The Consumer Reports Foundation has published a straightforward, downloadable document that describes the main elements of the ACA, which is free and available on their website.

Regardless of its merits and deficits—and regardless of political scrambling to defund the ACA—there are no real plans to stop its next phase. It may get delayed, the rollout may be rough, and some states will lag behind others. Nonetheless, it will likely become a part of everyday life in the United States. Perhaps the greatest fear among our political wranglers is that people will like it.

Suggested Reading

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