

SPECTRUM OF EXCHANGE ROLES AND OPERATIONAL MODELS

ROLE OF THE EXCHANGE

THE ROLE OF ANY SINGLE STATE EXCHANGE GENERALLY FALLS ALONG A SPECTRUM, WITH “ACTIVE PURCHASER” AT ONE END AND “OPEN MARKETPLACE” AT THE OTHER, AND A “SELECTIVE CONTRACTOR” SOMEWHERE IN BETWEEN. THE ROLE OF AN “OPEN MARKETPLACE” EXCHANGE IS SIMILAR TO THAT OF A STOCK EXCHANGE—PROVIDE AN OPEN FORUM AND GENERAL STRUCTURE CAPABLE OF FACILITATING MARKET COMPETITION, ESTABLISH CERTAIN BASIC RULES TO WHICH ALL PARTICIPATING BUYERS AND SELLERS MUST ABIDE, AND SERVE AS A SOURCE OF RELIABLE, IMPARTIAL INFORMATION ABOUT THE PLANS AVAILABLE IN THE MARKET. AN “ACTIVE PURCHASER” EXCHANGE TAKES A MORE HANDS-ON APPROACH BY LIMITING THE NUMBER OF SELLERS IN THE MARKET THROUGH SELECTIVE CONTRACTING, ESTABLISHING AND STANDARDIZING PLAN DESIGN PARAMETERS, AND DIRECTLY NEGOTIATING RATES WITH CONTRACTED PLANS. A “SELECTIVE CONTRACTOR” EXCHANGE IS QUITE SIMILAR TO AN “ACTIVE PURCHASER”; HOWEVER, UNDER THIS MODEL THE EXCHANGE GENERALLY DOES NOT NEGOTIATE PREMIUM PRICES DIRECTLY WITH INSURANCE CARRIERS; HOWEVER, THE EXCHANGE DOES LIMIT THE NUMBER OF PARTICIPATING CARRIERS AND ONLY OFFERS INSURANCE PLANS THAT HAVE BEEN SPECIFICALLY ENDORSED BY THE EXCHANGE AS HAVING MET CERTAIN CRITERIA.

HHS HAS INDICATED THAT AN “OPEN MARKETPLACE” EXCHANGE, AN “ACTIVE PURCHASER” EXCHANGE, OR MOST ANYTHING IN BETWEEN IS ACCEPTABLE.

EXCHANGE OPERATIONAL MODELS

STATES THAT MAKE SUFFICIENT PROGRESS SETTING UP THEIR EXCHANGES WILL BE GRANTED “APPROVAL” OR “CONDITIONAL APPROVAL” BY HHS BY JANUARY 1, 2013 TO OPERATE THEIR STATE-BASED EXCHANGE BEGINNING JANUARY 1, 2014. THOSE STATES ELECTING TO NOT SET UP THEIR EXCHANGE (OR THOSE WHO FAIL TO MAKE SUFFICIENT PROGRESS) WILL, INSTEAD, BE DEFAULTED INTO EITHER A FULLY OR PARTIALLY FEDERALLY-FACILITATED EXCHANGE. IN A PARTIALLY FEDERALLY-FACILITATED EXCHANGE (ALSO KNOWN AS A PARTNERSHIP OR HYBRID EXCHANGE) THE STATE WILL ASSUME SELECT EXCHANGE FUNCTIONS. IT IS IMPORTANT TO NOTE THAT SUCH OPERATIONAL MODELS ARE NOT DISCRETE VARIATIONS AND WILL, INSTEAD, GENERALLY FALL WITHIN SOME RANGE BETWEEN STATE AND FEDERAL OPERATION.

BY JANUARY 2013, EVERY STATE WILL HAVE BEEN ASSIGNED ONE OF THE FOLLOWING THREE CATEGORIES:

- *STATE-OPERATED EXCHANGE (FULLY-OPERATIONAL, PPACA-COMPLIANT)*
A STATE IS ON-TRACK TO DESIGN, BUILD, AND OPERATE AN EXCHANGE COMPLETE WITH ALL THE FEATURES AND REQUIREMENTS AS SPECIFIED IN THE PPACA.
- *PARTNERSHIP / HYBRID EXCHANGE*

A STATE OVERSEES SOME FUNCTIONS OF THE EXCHANGE WHILE CONTRACTING WITH HHS FOR OTHER FEATURES SUCH AS THE ELIGIBILITY AND VERIFICATION OF PREMIUM ASSISTANCE CREDITS OR TAX CREDITS.

- FEDERALLY-FACILITATED EXCHANGE**

A STATE DOES NOT MAKE SUFFICIENT PROGRESS AND DEFAULTS TO THE FEDERAL EXCHANGE MODEL. SUCH STATES WILL CEDE CONTROL OF ALL FEATURES AND FUNCTIONS OF AN EXCHANGE. A STATE THAT DEFAULTS TO A FEDERAL EXCHANGE WILL ALSO CEDE SIGNIFICANT BUDGETARY AND REGULATORY CONTROL OF THE EXCHANGE.

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