

What is the Affordable Care Act?

On March 23, 2010 President Obama signed into law the federal health reform legislation known as the Affordable Care Act. The purpose of the legislation is to assure that all Americans have access to affordable health insurance.

Most people get health insurance through their employers; people without this option will now be able to shop for health insurance on exchanges, as an alternative to buying coverage directly from individual health insurers. Exchanges are new and easy to use, just like other online marketplaces, and make it possible for shoppers to research all their options and then buy health insurance.

The health insurance marketplace will exist for both individuals, who are buying insurance for themselves, and for small group employers, who can buy insurance to offer to their employees.

The small group exchange, called SHOP – short for Small Business Health Options Program – is intended to give small businesses an easy and more efficient way to buy coverage for their employees. Rather than contract with a broker, business owners can use SHOP to easily compare plans and choose what they want to offer. This exchange will launch in November 2014 in order to prioritize the improvements to the consumer experience on the individual marketplace.

Additionally, the Affordable Care Act no longer allows insurers to deny coverage or charge people more based on their health status or pre-existing conditions. Now many people who were unable to buy coverage in the past will be able to start shopping for a health plan.

Starting in 2014, individuals are required to buy health insurance or face penalties. This is called the “individual mandate.” Although the penalty for not buying coverage is initially low, it will grow over time. As the penalty goes up, so will participation on exchanges.

The ACA is intended to increase the quality of care for all and eliminate sub-par policies. Previous policies that do not meet these standards are not supposed to continue. Due to the cancellation of many policies for this reason, many individuals who were left without coverage are given an exemption from the mandate for one year to allow them time to find a replacement.

The Affordable Care Act will provide tax credits and subsidies for individuals who qualify, to help make insurance more affordable, when they shop on a public exchange.

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Many individuals who shop on exchanges will be new to health insurance. To help make shopping easier, health plans on a public exchange will be labeled platinum, gold, silver or bronze. The metallic level helps shoppers understand the level of coverage a plan offers – how much they will need to pay and what the plan pays.

Platinum plans will have the lowest out of pocket cost for members but the monthly premiums will generally be higher. Bronze plans, on the other hand, will have the highest out of pocket costs for members, but will typically feature lower monthly premiums.

All plans on an exchange have to offer some core benefits – called “essential health benefits” – like preventive and wellness services, prescription drugs, and coverage for hospital stays.

Public exchanges, offered either by the state or federal government - are designed to help shoppers choose a plan that fits their needs and their budget. In Texas, our state leadership chose not to build a state-specific exchange, so Texans are able to purchase coverage from the federal HealthCare.gov.