

What is a Health Insurance Exchange?

The new historic Patient Protection and Affordable Care Act (ACA) makes great improvements to access and affordability in our health care system. One major way that the law does this is by establishing new state health insurance exchanges. A health insurance exchange is a virtual marketplace intended to make purchasing health insurance more transparent and affordable for consumers. An ideal health insurance exchange would create competition, transparency and accountability in the insurance market, therefore bringing down the cost of insurance premiums for consumers.

Under the ACA, states are required to establish these state level health insurance exchanges or allow the federal government to establish an exchange for their state. It is also the only provision in the law that requires states to include stakeholders in the planning process. On January 1st, 2013, all 50 states must submit a proposal for their own health insurance exchange to the federal government and by 2014 all exchanges must be implemented. So far New Jersey has received \$1 million to begin planning for a New Jersey exchange.

The Basic Principles of an insurance exchange are to:

- **Lower Costs:** Exchanges will increase competition among private insurance plans through greater comparative shopping and more informed consumers. And by pooling people together, Exchanges will also give small businesses the same purchasing power that large businesses enjoy today.
- **Provide One-Stop Shopping:** The Exchanges will make purchasing health insurance easier by providing eligible consumers and businesses with tools to compare benefits, pricing and quality. Americans who choose to use them will also have access to a wide range of customer assistance benefits – including information about prices, quality, and physician and hospital networks – to help make the best choice for themselves, their families, or their employees.
- **Offer Greater Benefits and Protections:** Exchanges will create a health insurance marketplace that will allow employers and consumers to choose from plans offering high quality benefits. Individuals and families purchasing health insurance through Exchanges may also qualify for premium tax credits and reduced cost-sharing depending on their income.

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