

**LEGISLATIVE BRIEF:**  
**NEWS RELATED TO THE PATIENT PROTECTION AND AFFORDABLE CARE ACT**  
**EXCHANGES AND SUBSIDIES UNDER FEDERAL REFORM**

The new federal health care reform law not only mandates that everyone maintain health coverage but includes two key provisions that are designed to change the way individuals and small employers access that coverage.

- » A system of tax credits and cost sharing reductions for lower income individuals and small employers.
- » That new system will be administered through a second major element of reform, the creation of “American Health Benefit Exchanges”.

**American Health Benefit Exchanges**

The Patient Protection and Affordable Care Act (PPACA) gives states significant leeway to create exchanges for individuals and small employers to purchase insurance. States are required to establish separate exchanges for individuals and small employers but a state may choose to combine markets or create regional exchanges. States may also establish a separate “Basic Health Plan” for individuals with incomes up to 200 percent of the federal poverty level in lieu of those individuals receiving tax credits through the exchange. Wisconsin has already taken certain steps toward this option with its Medicaid waiver expansion programs.

The responsibilities of an exchange include but are not limited to:

- » Certifying health plans to ensure they meet a multitude of new regulations and grouping plans into one of four categories based on the percentage of costs covered by the plan (Bronze = 60 percent, Silver = 70 percent, Gold = 80 percent, and Platinum = 90 percent).
- » Creating rules for how employers would participate in exchanges.
- » Providing comparative information about cost and quality of benefits to help purchasers.
- » Enrolling individuals in Medicaid or other government programs if they are eligible.
- » Helping individual consumers understand their premium requirements and connecting them to premium tax credits and cost sharing limits.
- » Administering a “young invincibles” option that would only be available to those under age 30 for whom the premium through the lowest cost exchange option exceeds 8 percent of household income. This plan would offer lower benefits and a lower cost.

**Subsidies Available to Individuals**

In 2014, PPACA provides citizens and legal residents with tax credits based on a percentage of income and limits on cost sharing designed to make coverage affordable for lower-income families. The subsidies are available only to those with incomes below 400 percent of the federal poverty limit (FPL) on a sliding-fee scale. The following chart is an illustration of how much families with incomes of 250 and 400 percent of the FPL might pay for health insurance once the subsidies take effect. It is based on today’s FPL, which is adjusted each year.

Number of people in family	250% FPL			400% FPL		
	Annual Family Income	Annual Cost of Silver Plan after Tax Credits	Out of Pocket Max for Single/Family	Annual Family Income	Annual Cost of Silver Plan after Tax Credits	Out of Pocket Max for Single/Family
1	\$27,075	\$2,301	\$2,975/\$5,950	\$43,320	\$4,115	\$3,967/\$7,933
2	\$36,425	\$3,096	\$2,975/\$5,950	\$58,280	\$5,537	\$3,967/\$7,933
3	\$45,775	\$3,891	\$2,975/\$5,950	\$73,240	\$6,958	\$3,967/\$7,933
4	\$55,125	\$4,686	\$2,975/\$5,950	\$88,200	\$8,379	\$3,967/\$7,933
5	\$64,475	\$5,480	\$2,975/\$5,950	\$103,160	\$9,800	\$3,967/\$7,933

## Big Picture Considerations

- » For new plans offered to individuals and small employers, the rules are the same inside and outside the exchange. Plans would not necessarily be required to be sold through the exchange, but buying through an exchange is the only way individuals would receive subsidies.
- » Subsidies would not be available to individuals with employer-sponsored insurance except in certain circumstances, explained in this [brief](#).
- » Exchanges may be opened in 2017 to larger employers at the discretion of states.
- » Consumer Owned and Oriented Plans (CO-OP plans) and multi-state plans would become options on the exchange once they are established.
- » Since exchanges are likely to be state-based, they may differ from each other in how they are administered and how successful they are in attracting insurers to the market. The federal government may establish an exchange in a state or region if the state chooses to forgo the option.

**If you have questions about your plan's compliance with these requirements or how to implement them, please contact your attorney.**

Updated: June 3, 2010