

HEALTH POLICY BRIEF

For Immediate Release:

Contact:

Sue Ducat
Director of Communications, *Health Affairs*
(301) 841-9962
sducat@projecthope.org

Mike Warner
GYMR Public Relations
202-536-8101
mwarner@gymr.com

Federally Facilitated Exchanges

Bethesda, MD -- [A new Health Policy Brief from *Health Affairs* and the Robert Wood Johnson Foundation](#) explores the issues facing the federal government and the states in the establishment and operation of federally facilitated health insurance exchanges. These are the exchanges that will be created under the Affordable Care Act in states that do not elect to set up their own state-based exchanges, or to create and operate an exchange in partnership with the federal government.

At present, 25 states have opted for a federally facilitated exchange. The result is that the federal government will now have a major role in those states in expanding insurance coverage in the individual and small-group insurance markets.

Topics covered in this brief include:

- *Challenges in setting up the federally facilitated exchanges.* Because of variations in state insurance laws, it may be difficult for the Department of Health and Human Services (HHS) to tailor an exchange to meet each state's unique insurance market needs.
- *The potential of adverse selection:* In a federally facilitated exchange, the federal government will only have a direct role in regulating the health insurance plans that are sold through that exchange--and not over other health plans in the state that aren't sold through the exchange. There is a risk that healthy people in a particular state may opt for cheaper plans outside the exchange, while sicker people opt for the exchange coverage--a phenomenon known as "adverse selection." There are risk-adjustment mechanisms in the health care law that could mitigate the gains and losses to different health plans, but these may take a while to work.
- *What's next?* With open enrollment on the exchanges scheduled to begin in October 2013, the federal government faces a tight timetable for planning and implementing federally facilitated exchanges. HHS has also signaled that states will have until the end of 2014 to obtain and use exchange "establishment" grants from the government, so it is possible that some states that initially decided on the partnership or federally facilitated model may ultimately replace those with a state exchange.

About Health Policy Briefs

Health Policy Briefs are aimed at policy makers, congressional staffers, and others who need short, jargon-free explanations of health policy basics. The briefs, which are reviewed by experts in the field, include competing arguments on policy proposals and the relevant research supporting each perspective.

Previous policy briefs have addressed:

- [Reducing Waste in Health Care](#). A third or more of what the United States spends annually may be wasteful. How much could be pared back--and how--is the key question.
- [Basic Health Program](#). The Affordable Care Act offers states another option besides Medicaid and the exchanges for health coverage for low-income residents.
- [Nurse Practitioners And Primary Care](#). Federal and state laws and other policies limit how these professionals can help meet the growing need for primary care.

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