



## Affordable Care Act, What's in It? *Health Insurance Exchanges That Work for Rural*

a series examining health care issues in rural America



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One of the primary features of the Patient Protection and Affordable Care Act law is the creation of health insurance exchanges. An Exchange is an insurance marketplace with the goal to help individuals and small businesses access affordable and quality health insurance. This report will examine some of the important rural issues and considerations in health insurance Exchanges.

### Health Insurance Exchanges: What Are They?

By January 2014, the Affordable Care Act requires states to have an operating Exchange. In the event a state does not develop an Exchange, the federal Health and Human Services Department has the authority to create and operate an Exchange in the state. States are provided great authority and latitude in developing their Exchange, and the federal government has provided funds for planning and until 2015 will provide funds for implementation and operating costs.

States have the authority to create two exchanges—an American Health Benefits Exchange for individuals and a Small Business Health Options (SHOP) Exchange for businesses with up to 100 employees. Beginning in 2014, individuals and small employers will be able to shop for health insurance from a hoped for range of health plans in each exchange. Lower- and middle-income individuals earning up to four times the federal poverty level—over \$88,000 for a family of four in 2010—may be eligible for premium assistance subsidies for health insurance purchased through the Exchange. Small employers with lower-income employees and who provide employer-sponsored insurance may also be eligible for the premium assistance subsidies for up to two years.

Almost all states are in the process of developing their Exchanges with an eye toward having them ready in 2012 or by early 2013. A health insurance Exchange is a new undertaking by most states—Massachusetts, Utah, Washington, Connecticut and California have some form of exchange already established. Given the newness of this state function, states have many questions to answer and issues to address.

Since rural area have high numbers of people without health insurance, have vastly higher numbers of people who purchase health insurance on the individual market and have more small businesses, the Exchanges will be crucial for access to affordable, quality health insurance for rural people. Many of the questions and issues facing states as they develop the Exchanges are important to making Exchanges work for rural people.

### Consider the Uniqueness of Rural Places and Rural People

Rural places and the residents of them have unique circumstances that must be considered and addressed in the development of Exchanges, state-based or otherwise. By their very nature rural places and their residents are more isolated. That is particularly true of low-income rural residents. Information about Exchanges will be difficult to spread to these populations without a specific emphasis and significant resources.

Section 1311 of the Affordable Care Act sets forth minimum requirements for Exchanges set up by states. At a minimum Exchanges must implement a web portal “where consumers and businesses can view coverage options, with benefits and costs presented in a standardized formula.”<sup>1</sup> Exchanges must also provide a toll-free hotline for consumer assistance, screen eligibility for, and enroll people in public health insurance programs such as Medicaid and the Children’s Health Insurance Program, and an online calculator so that people can see the actual cost of

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their coverage options after accounting for any premium assistance.<sup>1</sup>

There should be concern about these minimum requirements and how they affect rural people and businesses, especially if states decide only to implement the minimum. The conventional wisdom appears to be that Exchanges must be web-based to be effective and efficient. This may be true for the largest number of people across the nation, but it is not necessarily true for many rural residents. Generally, rural people have less access to high speed telecommunications technology. Again, that is particularly true for low-income rural residents and residents of remote rural areas. A solely web-based Exchange will leave out a significant portion of the rural population and provide less than optimum service for a larger share of the rural population. If that is the case, health care reform will accomplish little to address the health insurance disparities currently endured by many rural people.

To address these rural challenges, states should consider creative means to provide Exchanges that go beyond the minimum requirements of the Affordable Care Act and provide access to the Exchange to all rural people and businesses. State and federal Exchange efforts should explicitly address rural access issues to health benefit Exchanges. States should be required to provide a specific plan on how Exchanges will address rural access issues. The federal Department of Health and Human Services should also devise a grant solicitation to states and private entities to provide ideas and best practices on how to address rural access issues related to health benefit Exchanges.

### **Outreach to Rural Residents**

Section 1311(i) of the Affordable Care Act provides that Exchanges shall establish grant programs for outreach to the public for education, enrollment information, to facilitate enrollment and referrals for grievances, complaints or questions. This outreach and the information it provides will be very important for rural residents. Outreach in rural areas is challenging for a number of reasons. Residents are scattered across vast expanses of land, making personal or community outreach difficult. Communication vehicles in rural areas are limited and different than in urban settings. Resources dedicated to rural outreach are also limited. Grant programs established pursuant to Section 1311(i) of the Affordable Care Act should also be written to specifically address rural outreach initiatives and that some portion of grant resources be made available to implement rural outreach initiatives.

Section 1311 of the Affordable Care Act also requires that Exchanges establish a group of “navigators,” individuals or entities that will help consumers and employers learn about and enroll in health insurance coverage options. The law provides examples of potential navigators—community nonprofit organizations, local chambers of commerce and licensed insurance agents and brokers. All play critical roles in rural community life, and states would be well-served to provide a means within Exchanges for all to participate as navigators. State governments or other public navigators should be encouraged to involve rural-based organizations and nonprofits in their rural outreach initiatives. Information provided to rural people by rural organizations is likely to be better received, and rural organizations are familiar with the outreach challenges in rural settings and how to address and overcome them.

### **Rating Areas**

Section 2701(a)(2) of the Public Health Service Act as amended by Section 1201 of the Affordable Care Act allows for geography to be used as one of the factors that insurance companies may take into account when assigning insurance rates. Lower population density and smaller overall population sizes may lead insurers to charge rates in rural areas that are higher and ultimately unaffordable for rural residents, especially low-income rural residents. Small premium rating areas would disadvantage rural areas, so rating areas in plans offered through Exchanges should be at least statewide. In states with particularly small populations, interstate rating areas should be allowed.

## **Make the Exchange Attractive to Employers and Small Businesses**

Small businesses and self-employed individuals make up a substantial percentage of the rural population compared to urban areas. Historically these workers have the highest likelihood of being uninsured due to the high cost resulting from very small risk pools. Because of the importance of small businesses to the rural economy and to rural communities, Exchanges must be attractive to small businesses employers in order to be successful in rural areas. One method to make Exchanges attractive to small businesses is through pooling. The Exchanges must be structured to ensure that rural small businesses can pool their employees with other small businesses in order to spread the risk and lower insurance costs. Regulations should create incentives for states to create one insurance pool, and allow people buying in both the individual and the small business market to be captured in that one insurance pool. Such a structure will be extremely beneficial to rural small businesses and their employees and families. The opportunity for broader pools will address many of the issues that lead to high rates of uninsurance and underinsurance in rural areas.

Another suggested method to enhance participation by small businesses concerns billing of insurance premiums through the Exchange. Exchanges should offer employers an aggregate bill covering the premiums of all employees.<sup>2</sup> Even in the small businesses that dominate the rural economy, navigating the Exchange for multiple employees will strain an employer. Exchanges should also allocate premiums among the various insurers and plans selected by individual employees. To lessen the administrative burden on small businesses, Exchanges should also be set up so as to allow employers to pay a fixed percentage of the aggregate premium for a specified level of coverage, with the employees covering the remainder of the premium if applicable.<sup>2</sup> Reducing the burden on small businesses will make the Exchanges and the insurance coverage they offer more attractive and will prompt greater participation by small businesses.

## **Exchange Governance**

The Affordable Care Act provides a number of options to states as to where an Exchange will be housed. Existing state agencies, new state agencies or contracts with a nonprofit entity are the options provided by the law. Whatever option is selected by the state, there is likely to be some sort of governing or advisory board for the Exchange. These boards should include broad representation of state agencies with which the Exchange must work, interested parties and those with expertise on matters of importance to the Exchange.<sup>2</sup> The Exchange governing or advisory board should include geographic diversity, including rural representation, and representatives from those who will purchase health insurance through the Exchange (primarily the self-employed and small businesses).

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## Affordable Care Act, What's in It? *Health Insurance Exchanges That Work for Rural*

### References

<sup>1</sup> Families USA. 2010. *Implementing Health Insurance Exchanges: A Guide to State Activities and Choices*. Washington, DC: Families USA.

<sup>2</sup> Jost, Timothy Stoltzfus. 2010. *Health Insurance Exchanges and the Affordable Care Act: Eight Difficult Issues*. New York, NY: The Commonwealth Fund.

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### ABOUT THE AUTHOR

Jon Bailey is Director of the Rural Research and Analysis Program at the Center for Rural Affairs. Jon has undergraduate and law degrees from Creighton University and a Masters in Public Policy from the College of William and Mary. Jon served as Legislative Fellow with U.S. Senator Kent Conrad and Special Assistant to the Associate Commissioner for Policy and Planning in the Social Security Administration. Jon has authored publications on rural health care policy, rural development policy and rural poverty.

### ABOUT THE CENTER FOR RURAL AFFAIRS

Established in 1973, the Center for Rural Affairs is a private, nonprofit organization with a mission to establish strong rural communities, social and economic justice, environmental stewardship, and genuine opportunity for all while engaging people in decisions that affect the quality of their lives and the future of their communities.