Impact of State vs. Federal Control of Maryland’s Health Insurance Exchange

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Abstract

Under the Affordable Care Act (ACA) states may choose whether or not to establish and control their state health insurance exchange (HIE). If a state elects to set up its exchange, the state selects a ‘benchmark’ plan from a list of ten options; the federal government will use one pre-defined ‘benchmark.’ State exchanges must include both “essential health benefits” (EHB) as defined by the Institute of Medicine (IOM) as well as state mandated benefits. The ACA requires that the state pay for any state-mandated benefits not currently in the benchmark selected, even though they are not considered essential health benefits according to IOM guidelines.

Costs to the state would be minimized if the state selects a benchmark that includes the most expensive state-mandated coverage categories that are considered essential health benefits and that are already covered by the benchmark chosen. Passage of the Maryland Health Benefit Exchange Act of 2012 would allow Maryland to select Maryland’s largest HMO for its state benchmark. Selecting the HMO option will cost Maryland taxpayers $10 million per year. The federal government will use the state's small business insurance plan, a default selection for any state that refuses to establish their own exchange. Having the federal government set up Maryland’s exchange will cost the state $80 million per year.

State control of the health insurance exchange is crucial. Passing the Maryland Health Benefit Exchange Act would maintain state rights and lower costs of its health insurance exchange.