Introduction

Under the Affordable Care Act (ACA), states have a choice about 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 [see figure 1]. If a state elects not to set up an exchange the federal government will set it up for them and will use the small business plan with the most enrollees as the benchmark. State exchanges must include both essential health benefits (EHB) as defined by the Institute of Medicine (IOM) [See Figure 2] as well as state mandated benefits.2

The ACA requires that the state pay for any state-mandated benefits not considered essential health benefits. State mandates vary within a state by insurance type.

Costs to the state are minimized if the state selects as its benchmark the insurance type that includes the most expensive state-mandated coverage categories that are also considered essential health benefits.

In starting its own exchange, Maryland can select the state’s largest HMO as its benchmark, costing the state approximately $10 million [See figure 3].3

If Maryland decided not to start its own exchange, the federal government would set up an exchange for the state. Further, the federal government, not Maryland, would select its benchmark plan.

States Benchmark Options

- One of the three largest small group plans in the state by enrollment
- One of the three largest state employee health plans by enrollment
- One of the three largest federal employee health plan options by enrollment
- The largest HMO plan offered in the state’s commercial market by enrollment

Maryland’s Liability by Benchmark Option

<table>
<thead>
<tr>
<th>Benchmark Plan</th>
<th>AVERAGE BENEFITS COVERED PER ENROLLEE IN MARYLAND IN 2014</th>
<th>COST OF MANAGED BENEFITS THAT EXCEEDED THE BENCHMARK AND THAT APPLY IN THE NONGROUP MARKET (% OF BENEFIT COVERAGE)</th>
<th>NUMBER OF NONGROUP EXCHANGE ENROLLEES</th>
<th>COST OF MANAGED BENEFITS THAT EXCEEDED THE BENCHMARK AND THAT APPLY IN THE SMALL-GROUP MARKET (% OF BENEFIT COVERAGE)</th>
<th>NUMBER OF SMALL-GROUP EXCHANGE ENROLLEES</th>
<th>ESTIMATED STATE LIABILITY IN 2016 (IN MILLIONS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Option 1: Small Group</td>
<td>$7,500</td>
<td>2.7%</td>
<td>400,000</td>
<td>60.0%</td>
<td>60.00</td>
<td>$80</td>
</tr>
<tr>
<td>Option 2: State Employee Plan</td>
<td>$7,500</td>
<td>0.1%</td>
<td>400,000</td>
<td>60.0%</td>
<td>60.00</td>
<td>$20</td>
</tr>
<tr>
<td>Option 3: FEHBP</td>
<td>$7,500</td>
<td>0.2%</td>
<td>400,000</td>
<td>60.0%</td>
<td>60.00</td>
<td>$10</td>
</tr>
</tbody>
</table>

Stakeholders

Tax payers of Maryland are stakeholders because not setting up its own exchange could cost the state approximately $70 million.5 Maryland citizens who support state rights are stakeholders because not setting up their own exchange results in the federal government setting up the exchange for the state. Further, the federal government, not Maryland, would select its benchmark plan.

Conclusions

The Affordable Care Act offered Maryland two options in setting up an insurance exchange. Maryland could decide to set up its own exchange, or the federal government could set it up for Maryland. The Maryland Health Benefit Exchange Act of 2012 allowed the state to choose from ten coverage plan options. If the Act had not passed, the number of coverage options would have been reduced to one and Maryland potentially would lose approximately $70 million a year on mandated benefits and would have compromised its state rights to control insurance.

Other states should consider the financial implications and loss of state’s rights before rejecting the idea of setting up their own exchange.

References