

Three Words
and the Future of the Affordable Care Act

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PART II—CONSUMER CHOICES AND INSURANCE COMPETITION THROUGH HEALTH BENEFIT EXCHANGES

SEC. 1311. AFFORDABLE CHOICES OF HEALTH BENEFIT PLANS.

(b) AMERICAN HEALTH BENEFIT EXCHANGES.—

(1) IN GENERAL.—Each State shall, not later than January 1, 2014, establish an American Health Benefit Exchange (referred to in this title as an “Exchange”) for the State that—

(A) facilitates the purchase of qualified health plans;

PART III—STATE FLEXIBILITY RELATING TO EXCHANGES

SEC. 1321. STATE FLEXIBILITY IN OPERATION AND ENFORCEMENT OF EXCHANGES AND RELATED REQUIREMENTS.

(c) FAILURE TO ESTABLISH EXCHANGE OR IMPLEMENT REQUIREMENTS.—

(1) IN GENERAL.—If—

(A) a State is not an electing State under subsection (b); or

(B) the Secretary determines, on or before January 1, 2013, that an electing State—

(i) will not have any required Exchange operational by January 1, 2014; or

(ii) has not taken the actions the Secretary determines necessary to implement—

(I) the other requirements set forth in the standards under subsection (a); or

(II) the requirements set forth in subtitles A and C and the amendments made by such subtitles;

the Secretary shall (directly or through agreement with a not-for-profit entity) establish and operate such Exchange within the State and the Secretary shall take such actions as are necessary to implement such other requirements.

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SEC. 1401. REFUNDABLE TAX CREDIT PROVIDING PREMIUM ASSISTANCE FOR COVERAGE UNDER A QUALIFIED HEALTH PLAN.

(a) IN GENERAL.—Subpart C of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to refundable credits) is amended by inserting after section 36A the following new section:

“SEC. 36B. REFUNDABLE CREDIT FOR COVERAGE UNDER A QUALIFIED HEALTH PLAN.

“(a) IN GENERAL.—In the case of an applicable taxpayer, there shall be allowed as a credit against the tax imposed by this subtitle for any taxable year an amount equal to the premium assistance credit amount of the taxpayer for the taxable year.

“(b) PREMIUM ASSISTANCE CREDIT AMOUNT.—For purposes of this section—

“(1) IN GENERAL.—The term ‘premium assistance credit amount’ means, with respect to any taxable year, the sum of the premium assistance amounts determined under paragraph (2) with respect to all coverage months of the taxpayer occurring during the taxable year.

“(2) PREMIUM ASSISTANCE AMOUNT.—The premium assistance amount determined under this subsection with respect to any coverage month is the amount equal to the lesser of—

“(A) the monthly premiums for such month for 1 or more qualified health plans offered in the individual market within a State which cover the taxpayer, the taxpayer’s spouse, or any dependent (as defined in section 152) of the taxpayer and which were enrolled in through an Exchange established by the State under 1311 of the Patient Protection and Affordable Care Act, or

Qualified individual

“The term ‘qualified individual’ means, with respect to an Exchange, an individual who ... resides in the State that established the Exchange”

Maintenance of effort requirement

Requiring the states to maintain their Medicaid eligibility standards until “an Exchange established by the State under section 1311 of the [ACA] is fully operational.”

Reporting requirement

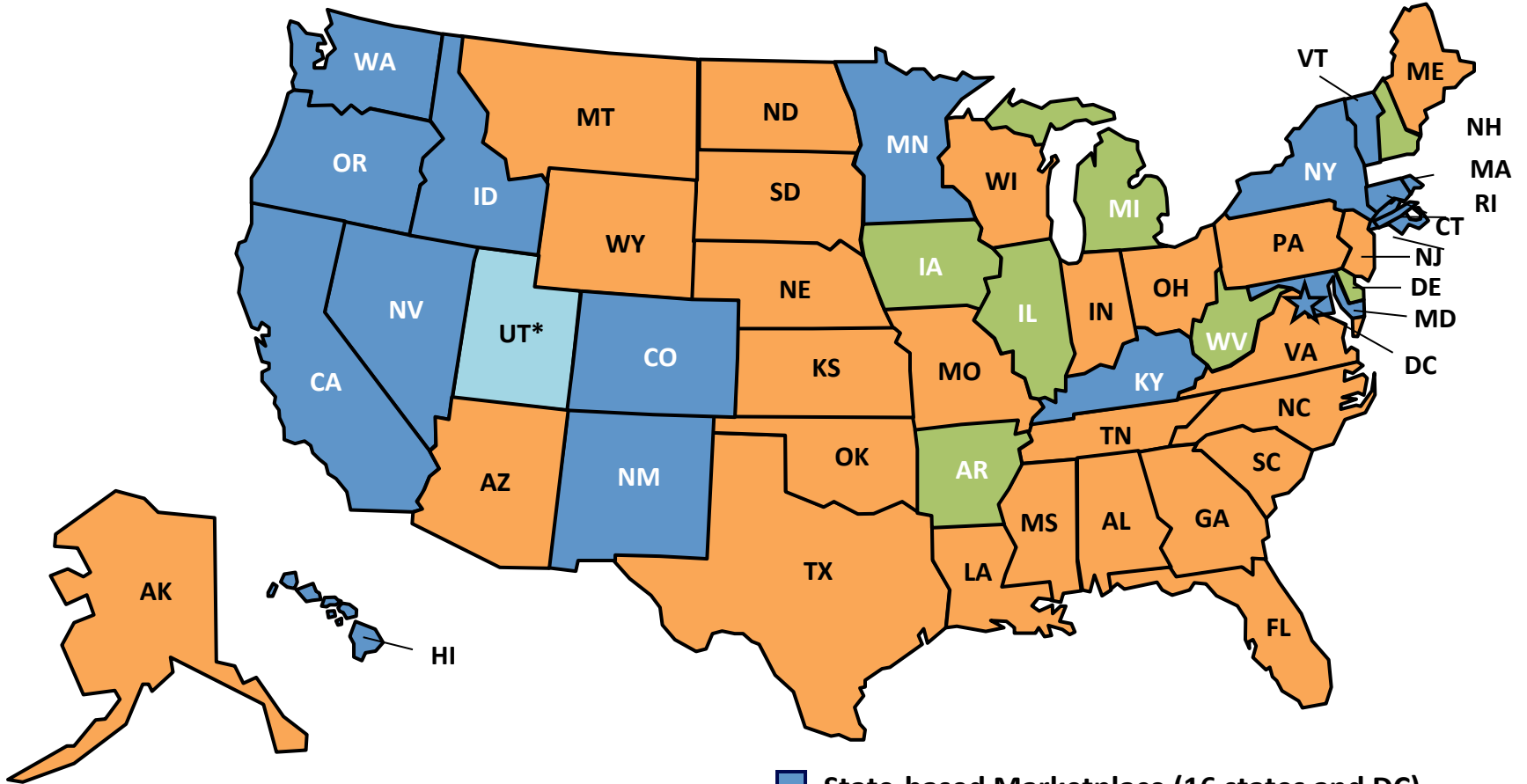
“Each exchange,” including federally established exchanges, shall inform the IRS “[t]he aggregate amount of any advance payment of [the tax] credit”



If the ACA's subsidies are eliminated entirely, our model predicts a near death spiral—that is, sharp premium increases and drastic enrollment declines in the individual market.

RAND Corporation, *Assessing Alternative Modifications to the Affordable Care Act* (2014).

State exchange decisions



- State-based Marketplace (16 states and DC)
- Partnership Marketplace (7 states)
- Federally-facilitated Marketplace (27 states)

- In Utah, the federal government will run the marketplace for individuals while the state will run the small business exchange.
- SOURCE: State Decisions For Creating Health Insurance Marketplaces, 2014, KFF State Health Facts: <http://kff.org/health-reform/state-indicator/health-insurance-exchanges/>.