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Are Health Insurance Exchanges Effective Cost Saving Tools?

Now that the federal Health Insurance Exchange is operational, consumers can finally focus upon whether the Exchanges truly offer affordable health care. While the Exchange has been touted as a cost-savings measure for the public, considering the deductibles and other out-of-pocket costs associated with the Exchange, the relatively low premium is offset so that the net cost is as high, if not higher, than many employer-sponsored health plans.

The Exchange, which is an internet-based marketplace, now includes a so-called “window-shopping” feature that allows a user to select data on deductibles and other out-of-pocket expenses. For policies offered on the Exchange, the annual deductible can be as high as \$5,000 for an individual and \$10,000 for a couple. In contrast, according to the Kaiser Family Foundation, an organization associated with a number of affiliated health plans which are leaders in the health insurance industry, the average deductible in employer-sponsored plans is \$1,135.¹

The federal marketplace offers four categories of plans, including Bronze, Silver, Gold and Platinum, differing essentially based upon the benefits offered or the share of costs paid through insurance for an average enrollee. While the Exchange website does reference subsidies to reduce out-of-pocket costs, depending upon household income (i.e., below 250% of the federal poverty level, which equates to an income of less than \$28,275 for an individual or \$48,825 for a family of three), those cost-sharing reductions are only available for the “Silver Plan.” If an individual or family does not choose the Silver Plan, then the deductible and out-of-pocket cost subsidies are not available. Thus, the high costs and questionable applicability of federal subsidies again leaves us wondering whether the Affordable Care Act, indeed, facilitates affordable health care.

For more information about any of the topics covered in this issue of the Insurance Alert, please contact:

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¹ *On Health Exchanges, Premiums May Be Low, But Other Costs Can Be High*, Pear, Robert, New York Times, December 9, 2013