

Free research paper on defined contribution in healthcare

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Of the 14 states with state-based marketplace healthcare plans, eight have defined contributions options at present or being planned in the near future. These states include California, Colorado, Connecticut, District of Columbia, Kentucky, Massachusetts, Minnesota, Rhode Island and Vermont. Other states have no defined contribution plans and these states include Hawaii, Idaho, Maryland, and New York.

A. STATES WITH DEFINED CONTRIBUTION

California

California allows employers to offer defined contribution health plans to their employees. The use by employers of such type of plan requires compliance with ERISA and HIPAA guidelines. This means giving employees the freedom to choose their respective health insurance plans on the basis of their personal needs as well as allow them to include non-major medical insurance plans and other basic health care plans. The role of the employer is, thus, to reimburse such health insurance premiums through fixed monthly contributions, which they have to determine on their own as there is no legal minimum or maximum contribution requirement (ZaneBenefits 2014).

Colorado

On June 1, 2011, Colorado passed a law, SB 11-200, that created the Colorado Health Benefit Exchange, later renamed to Connect for Health Colorado or C4HCO (KFF 2013). The Exchange, through the Small Business Health Options Program Exchange or SHOP, offers defined contributions to their employers. The Colorado SHOP is governed by federal Affordable Care Act or ACA and the Colorado Revised Statute, particularly §10-16-105(7. 4)

(COHBE 2012). The Connect for Health Colorado Exchange allows several options for healthcare plans (COHBE 2012). Employers in the state can fix the amount they can contribute or spend on the employees' individual healthcare premiums, rather than providing a particular group health plan (ZaneBenefits 2014).

Connecticut

Public Act 11-53, enacted in 2011, established the Connecticut Health Insurance Exchange, later changed to Access Health CT (KFF 2013). The CT Exchange offers health insurance options to small businesses, among others. Through the SHOP, employees can avail of various defined contribution models: the one-carrier-multiple-plans model where an employer can choose a carrier and allows its employees to choose from various plans; the all-carriers-one-plan model where an employer selects a plan and the employee selects that plan from various carriers, but has the option of selecting the same plan with higher cost and pay for such extra cost, and; all-carriers-all-plans model where an employee can choose from any plan in any of the carriers and apply the employer's fixed contribution to pay for all or part of the premium (CTHIX 6-9).

District of Columbia

The DC established the District of Columbia Health Benefit Exchange Authority or HBX in 2012. In 2013, HBX was changed to DC Health Link (KFF 2013). It extends health options to small businesses with 50 employees or less (DC Health Link 2014). The Exchange offers defined contribution model of healthcare through Reference Plan Contributions where an employee can

choose its own fixed contribution level and allows its employees to individually select their respective plan and pay the difference in premiums through ' buy-down' or ' buy-up' schemes (DC Health Link 2014).

Kentucky

In 2012, Kentucky's governor issued an executive order that created the Kentucky Health Benefit Exchange or KHBE. This was in response to the passage and upholding by the US Supreme Court of the Affordable Care Act. An online venue for the Exchange called kynect was later established (KFF 2013). The Exchange offers defined contribution type of health plan by extending options to determine the cost of coverage or contribution, while giving the employees the opportunity to shop for their own health plans (kynect 2).

Minnesota

The Minnesota governor signed into law in 2011 a legislation that created the Minnesota Insurance Marketplace. Its website is called MNSure (KFF 2013). MNSure offers a reference plan where an employer sets a definite amount of contribution to the plan, but allows its employees to choose the best plan that suits their individual circumstances and needs (MNSure 6).

Massachusetts

The Massachusetts Health Connector was established through a comprehensive health reform law that was passed in 2006. It launched the Business Express program thereafter for small businesses. The program offers a plan called Dual-Triple option where employers choose the health

insurance carriers, but the employees are given leeway to choose the plan meeting their specific needs. In 2014, the program made available the Employee Choice that allowed employees to shop for health plans across the Marketplace using the fixed contribution set by his or her employees (MAHealth 18).

Vermont

Vermont established the Vermont Health Benefit Exchange in 2011 through a far-reaching health reform law. The exchange was renamed Vermont Health Connect. It eventually opened the Small Business Health Options Program (SHOP) Exchange where employers with 50 or less employees can shop for health insurance plans most suited to their needs and financial capabilities (KFF 2013). Starting 2015, Vermont will offer an employee choice plan that will allow employees to make their choices with respect to choice of qualified health plan or QHP of an insurance company selected by the employer. In addition, the offer can also use multiple carriers to handle employee plans, which they must administer until the appropriate venue shall have been set up by the Exchange (Vermont Health Connect 2014).

Rhode Island

Rhode Island established the Rhode Island Health Benefit Exchange through an executive order signed in 2011. Its website was designated as HealthSource RI in 2013 (KFF 2013). It offers full employee choice where an employee can shop for any plan that suits him or her best using the premium or contribution set by his or her employer (HealthSource RI 2014).

B. STATES WITH NO DEFINED CONTRIBUTION

Hawaii

The Hawaii Health Connector was created in 2011 largely based on the state's Prepaid Health Care Act of 1975, which compels employers to provide health insurance coverage to their employees working for 20 hours or more (KFF 2013). Employees cannot waive coverage under the Hawaiian statute and enrollment in issuers that are not authorized by the law cannot substitute for coverage under the PHCA (Hawaii Health Connector 2014).

Idaho

The Idaho Health Insurance Exchange, later renamed to Your Health Idaho, was established in 2013. The Small Business Health Options Program or SHOP became part of its features (KFF 2013). The website does not mention any option for defined contribution type of healthcare plans although it offers various choices of carriers and plans (Your Health Idaho 2014).

Maryland

Maryland's health marketplace is called Maryland Health Benefit Exchange, later changed to Maryland Health Connection, and was established in 2011. In 2013, the Maryland Insurance Administration approved the sale of health insurance premiums through SHOP or small businesses (KFF 2013). There are several plans available to employers and employees and four basic metal categories through the Connection, but the site does not specifically mention whether defined contribution is available to employees (Maryland Health Connection 2014).

New York

The New York Health Benefit Exchange was established in 2012 by an executive order. Its online site is called the NY State of Health (KFF 2013). The NYC State of Health offers employers and employees the purchase of plans inside and outside the marketplace. However, the site does not specifically mention the ability of employees to choose plans beyond or below the set contribution to be paid by the employee and metal tiers offer almost the same options except that the ratio of contributions to be split between the employer and employees are different (NY State of Health 2014).

Washington

Washington established the Washington Health Benefit Exchange later called Washington Healthplanfinder (KFF 2013). The site however does not specify if it offers full employee choice (Washington Health Benefit Exchange 2013).

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