

The Kentucky Health Benefit Exchange: How Obamacare is Changing the Health Insurance Marketplace

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Now that the President has been re-elected and the Supreme Court has upheld most of the **Affordable Care Act (“ACA”)**, Obamacare will not be repealed. So, what does that mean for Kentuckians? Several things including an individual mandate to buy health insurance and a health benefit exchange where Kentuckians can buy insurance.

The component of healthcare reform that was most at risk had President Obama not been re-elected to a second term was the individual mandate. Under the ACA, individuals are required to obtain health insurance starting in 2014. To make this easier, state insurance exchanges are to be created to provide subsidized insurance products for low and middle income individuals. The thought process is that if more people have insurance, then hospitals, and particularly emergency departments, will not have so many no-pay patients who are treated. This should mean that the high volume of uninsured patients seeking care in hospital emergency department will be significantly reduced and a hospital's bad debt will also be significantly reduced. Kentucky, particularly Eastern Kentucky, has extremely high rates of emergency department use when compared to the rest of the state and the nation. This high emergency department use is coupled with low rates of payment collection. This makes it very expensive for hospitals to provide services to a population that is often the group that most needs healthcare because of the incidence of chronic diseases like obesity that result from low incomes.

Where and how will these individuals comply with the individual mandate or the requirement to buy insurance or pay a penalty? Kentucky is one of the first states to start work on the development of a health insurance exchange. Executive Director Carrie Banahan and Deputy Director Bill Nold of the Office of Kentucky Health Benefit Exchange describe Kentucky's exchange as “like Travelocity but for health insurance.” The ACA introduced the concept of health insurance exchanges to create a competitive marketplace where individuals and employees of small businesses can shop for health insurance based on price and quality. The insurance that is sold over the internet exchange will have to provide a set of “essential health benefits” if approved for sale. These benefits are a comprehensive package of services that must be included, which are designated by federal regulation. These services include things like maternity and newborn care, ambulatory patient services, chronic disease management, and many others. Kentucky's Office of Health Benefit Exchange has recommended that the Anthem Preferred Provider Organization Plan serve as a model for all the other plans that participate on the exchange. Consumers will also have the

opportunity to purchase federal health insurance products that are offered nationally.

The exchange will also provide subsidies for families and individuals purchasing insurance based upon income. Kentucky Voices estimates that a family of four with an annual income of \$38,820 will pay about \$77 per month for a \$1000 a month policy. With an income of \$92,200, a family of four will pay \$730 per month for the same policy. According to Kentucky Voices, there are about 260,000 uninsured Kentuckians who may elect to buy coverage through the exchange in 2014. Small businesses can also buy insurance for employees through the exchange and receive tax credits.

Another reform that the ACA will bring about is the elimination of medical underwriting for health insurance coverage. This means that a person's health status will not determine the price of insurance. Most likely, this means that the price of insurance will increase for the young and healthy and decrease for the older and less healthy.

So, what will happen in 2014 if a person decides simply not to buy insurance? Unless the individuals qualifies for an exemption, most US citizens and legal residents will have to buy insurance or face a penalty based upon income. The penalty is gradually increased through 2016 when fines will be about \$2,085 or 2.5% of income. The penalty will be prorated based upon the number of months during the year that individuals are not insured.

Businesses with 50 or more employees that do not provide health insurance will have to pay a penalty of \$2,000 per uninsured employee. Small businesses can purchase insurance through the exchanges and receive tax credits for doing so.

Because the enrollment periods for insurance companies and their products are typically from October through December, Kentucky's Health Benefit Exchange will be up and running by next fall so that its enrollment period will coincide with private insurance companies. Information about how to shop for health insurance through the Kentucky Health Benefit Exchange and other impacts of the ACA on Kentuckians can be found at <http://healthcarereform.ky.gov>

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