# What is a Health Insurance Marketplace?

A health insurance marketplace or exchange must be established in each state under the Patient Protection and Affordable Care Act (ACA).[1] The marketplaces are entities organized to provide competitive markets for buying health insurance for individuals who do not get health care coverage through their employers and small businesses (in separate Small Business Health Options or SHOP Exchange). Under the ACA, states may establish marketplaces in their states or if the state does not, the federal government will establish the marketplace in that state.[2] As a result, there are three possible scenarios for marketplaces in the states:

1. State-Based Marketplace (SBM): State establishes and runs its own exchange (chosen by 17 states plus the District of Columbia);
2. Federally-Facilitated Marketplace (FFM): Federal government establishes and runs the exchange in the state (chosen by 26 states);
3. State-Federal Partnership Marketplace (SPM): A state partners with the federal government to establish and run the exchange, but retains control over certain aspects of the exchange, such as plan management and customer assistance (chosen by 7 states).

Health Insurance Marketplaces in each state must:

- Establish a website to allow consumers to shop for health insurance coverage, view eligibility for premium tax-credits and cost-sharing reductions, and enroll in a plan;
- Certify qualified health plans to participate in the marketplace; and
- Collect information on the quality and price of qualified health plans sold in the marketplaces.

A key goal of the marketplaces is to allow consumers to make informed decisions about their health care coverage. The marketplaces are designed to be easy to understand and transparent, allowing consumers to compare plans by premiums, benefits, quality rating, and other coverage options.

While some states have opted to operate their marketplace as a "clearinghouse," allowing all eligible plans that meet the minimum certification criteria to participate, others have selectively contracted with health plans that achieve certain goals. This selective contracting with plans is called active purchasing, which creates opportunities to purchase insurance based on value and otherwise use purchasing power to affect health care quality and costs.

For more information on health plan data collection in the health insurance exchange, see our Fast Facts on Data Collection and Use in the Health Insurance Exchange. For more information about the ACA, see http://www.healthinfolaw.org/federal-law/ACA.
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[1] Pub. L. 111-148, 124 Stat. 782 (2010) § 1321 (codified at 42 U.S.C. § 18041 (2012)).
[2] *Id;* 45 C.F.R. §§ 155.100 et seq.