

State-Based Marketplaces (SBMs) allow states to enhance the consumer enrollment experience for those purchasing coverage in the individual market. SBMs provide more tools to states than they otherwise would have when utilizing the federally-facilitated marketplace (FFM), or [healthcare.gov](https://www.healthcare.gov).

Benefits of a State-Based Marketplace

- ★ **Little to No Start-Up or Operation Cost:** SBMs are funded through “user fees” paid by plans to the state in exchange for offering coverage on the marketplace just as they normally would in exchange for using the FFM. State funding is not required for ongoing SBM operations.
 - Examples from the states: Maine funded their SBM with no startup cost to the state; Kentucky is estimated to save people at least \$15 million a year after establishing an SBM.
- ★ **Smooth Transition from the FFM:** There is now a wide array of “off-the-shelf” software options available for states to use to minimize coverage disruptions for people already covered and to ease the transition for state agencies.
- ★ **Tailored Marketplace Design:** States with SBMs can create their own state-specific open enrollment periods and special enrollment periods to best meet the needs of their people. They can also design search functions for things like prescription drugs, health care providers, and other coverage provisions that improve the shopping experience for consumers.
 - Example from the states: Colorado opened a Special Enrollment Period through March 16th, 2022 in response to the Omicron variant and the Marshall Fire.
- ★ **Flexible Operations:** SBMs allow the marketplace to be built with a state's unique infrastructure in mind and to share eligibility and enrollment information with state agencies to coordinate and conserve resources. Increased opportunities for [interagency coordination](#) can create a more seamless enrollment process by allowing better communication between the marketplace and Medicaid, thereby limiting the administrative burden on state Medicaid agencies.
- ★ **Targeted Outreach and Enrollment:** SBMs offer states the flexibility and autonomy to cater to the unique needs of their population through operating their own call centers as well as outreach and enrollment programs.
 - A SBM allows states to [use data in real-time](#) to monitor how consumers interact with the website and the call center and address problems or confusion quickly.
 - SBM data allows for [targeted enrollment](#). If a demographic is underrepresented, states can target their outreach campaigns, with the goal of reaching all eligible consumers and maximizing enrollment.



- ★ **More Affordable Coverage:** [Early analysis](#) showed that premiums grew more slowly in states that operate a SBM than those with the FFM.
 - States operating a SBM saw premiums for the second-lowest silver plans grow 43% from 2016 - 2018, while FFM premiums rose by 75% in the same time period.
 - Savings from a SBM can be repurposed to reduce people’s health care costs.
 - Example from the states: Pennsylvania’s new exchange is expected to bring savings to the state and be invested in a [reinsurance program](#) to further reduce people’s premiums.

Leveraging a SBM to Pursue Innovative Health Care Solutions

States using the FFM are more limited in their ability to enact or oversee policies the way states operating SBMs can. SBMs provide a platform for states to more easily pursue innovative solutions to provide affordable coverage. Examples of these innovative strategies include:

- More options for creating a more streamlined enrollment process.
 - Auto-enrollment and so-called “easy enrollment.”
 - Ability to create systems and programs that enable applicants to easily pick and enroll in plans which can increase enrollment.
- Allowing states with SBMs to pursue further policies aimed at making coverage better and more affordable for consumers such as creating state subsidy wraps to layer on top of federal subsidies, improving network adequacy, and developing standardized plans and/or public health insurance options. States operating a SBM have an easier time distributing 1332 waiver pass-through funding, once approved.

National Landscape

[17 states](#) and the District of Columbia successfully operate their own SBM, with another 3 states operating a state-based exchange on the federal platform (SBM-FP). The remaining [30 states](#) use the federally facilitated marketplace (FFM). In recent years, a handful of states have successfully transitioned from the FFM to a SBM – many of whom have cited opportunities for flexibility and personalization, retention of user fees, and data collection as reasons for the transition. These states include Kentucky, Maine, Nevada, and New Mexico.