Office of Consumer Information and Insurance Oversight

State Planning and Establishment Grants for the Affordable Care Act's Exchanges

Minnesota Quarterly Project Report

Date: 6/7/2012

State: Minnesota

Project Title: State Planning and Establishment Grants for the Affordable Care Act's Exchanges

Project Quarter Reporting Period: Final

Grant Contact Information

Primary Contact Name: Mike Rothman
Primary Contact Number: 651.296.6025
Primary Contact Email Address: Mike.Rothman@state.mn.us or commissioner.commerce@state.mn.us

Secondary Contact Name: April Todd-Malmlov
Secondary Contact Number: 651.296.6572
Secondary Contact Email Address: April.Todd-Malmlov@state.mn.us

Website (if applicable):
http://mn.gov/commerce/insurance/topics/medical/exchange/index.jsp

Award number: 1 HBEIE110058-01-00

Date submitted: 4/30/2012

Project Summary

Please provide a narrative description (about 5-10 sentences) describing your progress so far in planning activities under each core area. We would like to know what activities you have undertaken to date and what you plan to undertake in the next quarter. Please refer to the Reference section at the end of this template for some examples of what you could include under each core area.

Core Areas

- **Background Research** – *May include research to determine the number of uninsured in the State including, but not limited to, those potentially eligible for the Exchange, and those eligible for Medicaid or their employer's coverage and currently not enrolled.*

A main component of Minnesota's Planning Grant application was to understand the requirements, options, costs and coverage impacts of an Exchange. Minnesota entered into a contract with Dr. Jonathan Gruber and Gorman Actuarial in March 2011 with Exchange Planning Grant funds. Dr. Gruber and Gorman Actuarial used Minnesota-specific data and detailed data submitted by the Department of Human Services (Minnesota's Medicaid agency), private health insurers, and the Minnesota Comprehensive Health Association (Minnesota's high risk pool) on benefits, enrollment, premiums, and claims experience for economic and actuarial modeling. The purpose of the modeling was to project Exchange enrollment and estimate the impact of insurance market and public program changes. The analysis investigated how options such as the size of the small group market, merger of the individual and small group markets, and implementation of a Basic Health Plan versus Exchange premium tax credits impacts enrollment, premiums, and spending. Preliminary results were shared in September and October 2011 with the Medicaid agency, insurers, and Minnesota's high risk pool. These organizations submitted data for the analysis and were able to review the results for face validity and to recommend alternative assumptions for future modeling. The modeling analysis was completed in November 2011 and results were shared with stakeholders in a variety of settings including a public Exchange Advisory Task Force meeting and a Medicaid Summit that included a real-time webinar. The modeling presentations and final report can be found on the Department of Commerce website. Key findings from the report include:

- By 2016, the number of uninsured is projected to decrease by 290,000, or almost 60%. Due to the individual responsibility requirement, the expansion of public health insurance program eligibility, and the premium tax subsidies, the number of uninsured will drop by 290,000 leaving 210,000 uninsured.

- There will be a large rise in non-employer insurance coverage, with little change in employer-provided coverage. The number of individuals purchasing insurance outside the employment setting will double, rising to between 400,000 and 510,000 enrollees. There will be little change in employer sponsored insurance (ESI) as those who exit due to new insurance options are offset by new enrollment among those previously eligible for ESI.

- The Exchange will enroll over 1.2 million persons. While there is some uncertainty about who will ultimately purchase insurance through the new state insurance Exchange, we project that between 415,000 and 640,000 privately insured persons will enroll in coverage through the Exchange, either as individuals purchasing on their own or through small group insurance purchase. In addition, another 590,000 to 820,000 publicly insured individuals will be enrolled in public health insurance through the Exchange.

- After the application of tax subsidies, overall premium costs for those in the individual market will fall by 20% on average; approximately 70% of the individual market will experience either no change or premium decreases.

❖ **Stakeholder Involvement** – *May include a list of the stakeholders within the State who will be involved in the State's decision about whether to operate the Exchange and planning/ implementation of the Exchange, including the role proposed for each stakeholder as well as agreements with those stakeholders that may be in place at this time. Developing stakeholder involvement may include a plan to gain public awareness and commitment of key stakeholders through task forces and activities in various venues to obtain stakeholders' input.*

Level-One funding was granted to fund the work of the Minnesota Health Insurance Exchange Advisory Task Force. This Advisory Task Force was created under authority granted in Minnesota Statutes §15.014 in September 2011 and works in coordination with the Governor's Health Care Reform Task Force. The Advisory Task Force provides guidance on a number of issues related to the development of an Exchange for Minnesota including but not limited to:

- Size of the small employer market
- Merger of the individual and small group markets
- Provisions to avoid adverse selection
- Risk adjustment
- Regulatory simplification
- Cost, quality, satisfaction rating for insurers and health benefit plans
- Navigator program provisions
- Governance
- Ongoing funding mechanisms

Task Force members were appointed in October 2011 via an open appointments process and will serve for two years. Task Force membership includes consumers, employers, health care providers, health insurers, insurance brokers/agents, organizations with experience assisting people with public programs, health care market experts, legislators, and Commissioners of State agencies. Additional information about the Minnesota Health Insurance Exchange Advisory Task Force can be found on the Minnesota Department of Commerce website.

In addition, the Commerce Commissioner has created a number of Work Groups to provide technical assistance on the design and development of a Minnesota Exchange. These Work Groups are comprised of a variety of stakeholders and will develop, discuss, and provide technical assistance on options to the Commerce Commissioner through the Health Insurance Exchange Advisory Task Force. Details on each of the work groups can be found below in the Business Operations section of this report. Updated work group information can also be found on the Department of Commerce website.

Level-One funding was also granted to engage stakeholders via monthly meetings and conference calls and develop a process for consultation with federally recognized tribal governments. In August 2011, Minnesota started regular consultation with representatives of tribal governments in the State.

Minnesota has also started developing and implementing strategies and work plans for communications, marketing, and stakeholder outreach and engagement efforts to market the Exchange and educate Minnesotans about the benefits of the Exchange. These activities include coordinating Exchange communications and outreach activities with the Minnesota Departments of Commerce, Human Services, and Health. Activities to date include updating the Department of Commerce website to include Exchange-related activity and a weekly listserv including upcoming meeting notices and other useful information for interested recipients.

In March 2012, Minnesota released an RFP for market research, public relations and branding. An interagency review team reviewed all proposals. The market research contract was signed in April, 2012. Review and negotiations for the public relations and branding components of the RFP continue.

- **IT Infrastructure and Program Integration** – *May include a description of how an Exchange will build on existing State and Federal programs such as Medicaid and CHIP. This may also include current State activities similar to an Exchange. May include the planning for a web portal and/or a call center to meet the increased need for consumer education, the coordination of Medicaid and Exchange-related activities, and the integration of Health Information Exchange standards for program interoperability.*

IT Infrastructure

A second key component of Minnesota's Planning Grant Application was to start work on the IT infrastructure for an Exchange. In June 2011, Minnesota released a two-stage "proof of concept" Request for Proposals (RFP) for the information technology components of an Exchange. The RFP asked respondents to propose innovative, flexible, and interoperable solutions for the design and development of Exchange IT components that could accommodate various policy decisions and changes overtime. For details on this RFP, please see the Minnesota Department of Commerce website.

During stage one, RFP respondents submitted proposals for consideration for a fully functioning Exchange technical infrastructure and/or specific component modules including:

1. Individual eligibility and exemption

2. Individual enrollment
3. Small employer eligibility and enrollment
4. Health benefit plan and Navigator/broker certification and display
5. Provider display
6. Fund aggregation and payment
7. Account administration
8. Mobile application or accessibility

In the Fall of 2011, a subset of respondents were selected to receive financial stipends funded under the Planning Grant to create proposals including prototypes, detailed cost estimates, work plans, and timeline proposals for potential implementation in stage two. Only respondents that received a stipend in stage one were eligible to participate in stage two. Three or four respondents were selected per module for modules one through seven above to develop proposals and prototypes for stage two. Across all of the modules there were five distinct respondents for stage two. The proposals and prototypes for stage two were due on December 5, 2011. The module prototypes were also made available for public evaluation on December 5, 2011. Public evaluation of the module prototypes accounted for 10% of the score for selection of respondents for potential Exchange implementation. Contract negotiation for selection of IT vendors for the Exchange is ongoing.

Minnesota completed the first two of four Gate Reviews (Architecture and Project Baseline reviews) that were part of the Federal Enterprise Life Cycle Gate Review process for Exchange IT Infrastructure in November 2011. This review process was done collaboratively with the Minnesota Department of Human Services' submission and presentation of a PAPD for the Enterprise Systems Modernization Strategy for the MAGI Medicaid portion of eligibility and enrollment. The joint reviews were conducted to describe Minnesota's Exchange IT infrastructure vision and explain the seamless coordination and integration between the Exchange and Medicaid related to eligibility and enrollment. Minnesota also completed the design review stage during May 2012 which included a review of all components of the Exchange, including IT infrastructure.

Minnesota has also elected to participate in the UX 2014 project, sponsored by the California HealthCare Foundation and several other national and state health care philanthropies. The project focuses on researching components of a "best-in-class" user experience for an Exchange. As the project develops, Minnesota will share stakeholders' feedback with this effort to ensure that Minnesota both contributes to and learns from the UX2014 project.

Program Integration

Another key component of Minnesota's Planning Grant Application was to assess areas for efficiency and integration between existing processes and the Exchange. Minnesota has developed and is continuing to work on strategies and work plans for public program and commercial operational issues related to the Exchange and program integration issues, including developing interagency agreements, detailed work plans, timelines, and budget estimates for program integration issues through 2014. Exchange staff continue to work closely with the Department of Human Services to coordinate the

Medicaid Agency's implementation of ACA reforms into the functions of the Exchange and the regulatory divisions of the Minnesota Departments of Commerce and Health to evaluate areas for regulatory simplification.

Since August 2011, an interagency agreement has been signed and routinely updated between the Exchange at the Minnesota Department of Commerce and the Minnesota Department of Human Services that reflects joint department activity between the Exchange and the modernization of the Eligibility and Enrollment Systems at Department of Human Services. Specifically, the interagency agreement outlines the cost allocation methodology and billing and payment procedures for Medicaid eligible activities, identifies collaborative efforts for Federal Reviews and APD processes, and a joint RFP for Independent Verification and Validation. Finally, the agreement creates an interagency steering committee to consider and develop work plans for program integration strategies for eligibility determination and verification, enrollment, account management, and other program integration issues between the Exchange and the Medicaid program.

The Commissioner of Commerce has statutory authority to enforce Minnesota's insurance laws and the Commissioner of Health has authority over HMOs. The Departments of Commerce and Health have established an interagency agreement to help clarify the respective duties of these departments related to health maintenance organizations and county-based purchasing organizations. Under this agreement, the Department of Commerce conducts financial examinations of each health plan to ensure compliance with Minnesota laws and insurance industry standards. The interagency agreement also specifies, among other duties, that the Department of Commerce will (1) review and analyze health plans' periodic financial reports, (2) recommend enforcement or remedial actions to the Department of Health, (3) provide actuarial services to ensure that health plans (or applicants for licensure) comply with all financial and rate-filing requirements, (4) recommend to the Department of Health whether health plans' rate filings should be approved, and (5) provide advice to the Department of Health regarding investigations of consumer complaints. In addition, the Department of Commerce has statutory authority to monitor and regulate health plans' risk-based capital, and the Health-Commerce interagency agreement assigns responsibility to the Department of Commerce for certain duties related to oversight of health plans' financial solvency. State rules also require that either the Department of Health or Department of Commerce review the reasonableness of health maintenance organization expenditures at least once every three years.

This existing interagency agreement is in the process of being modified to reflect the respective roles of the two agencies in the Qualified Health Plan (QHP) certification, recertification and decertification process. An interagency work group, facilitated by Exchange staff and composed of reviewers from Health and Commerce meets regularly to outline duties, process flows and responsibilities. That work will be informed by the recommendations from the Exchange Advisory Task Force on what should be the relevant criteria to apply to QHPs.

❖ **Business Operations and Resources and Capabilities** – *May include an assessment of current and future staff levels, contracting capabilities and needs, and information technology. May include plans for eligibility determinations, plan qualification, plan bidding, application of quality rating systems and rate justification, administration of premium credits and cost-sharing assistance, and risk adjustment.*

Minnesota has developed and will continue to modify and update detailed work plans, timelines, and budget estimates through 2014 on a routine basis related to business operations and Exchange functions. Exchange staff, with the assistance of the ten stakeholder Work Groups, are examining options for business operations and Exchange functions in 2012. The Adverse Selection, Governance, Financing, and Navigators and Agents/Brokers Work Groups were formed in November 2011 and each presented a high level summary of issues and pros and cons to the Exchange Advisory Task Force in late December. Details on all of the Work Groups can be found below and information produced by the groups can be found on the Department of Commerce website:

Adverse Selection and Encouraging Market Competition and Value Work Group

- Scope: Provide technical assistance on options to avoid adverse selection between the Exchange and the outside market for individuals and small employers and employees, and provide options for incentives for encouraging market competition and value.
- Members: 10-20 stakeholders will be asked to participate including consumer, large and small employer, health insurer, navigator, agent/broker, and provider representatives as well as agency and legislative staff and market experts (actuarial, risk adjustment, etc.)
- Meetings: Formed in November 2011, monthly meetings in 2012.
- Subgroup: Starting in 2012, Plan Certification.

Navigators and Agents/Brokers Work Group

- Scope: Provide technical assistance and develop information on options for navigators and agents/brokers to assist individuals and small employers and employees seeking coverage through a Minnesota Health Insurance Exchange.
- Members: 10-20 stakeholders will be asked to participate including consumer, small employer, health insurer, navigator, agent/broker, provider, county, and tribal representatives as well as state agency and legislative staff.
- Meetings: Formed in November 2011, monthly meetings in 2012.

Governance Work Group

- Scope: Identify and summarize information on potential options for the long-term governance of a Minnesota Health Insurance Exchange.
- Members: Roughly 10 participants will be asked to assist, including health care law experts, and state agency and legislative staff.
- Meetings: Formed in November 2011. Will meet less frequently in 2012.

Financing Work Group

- Scope: Provide technical assistance and information on options related to the on-going financing of a Minnesota Health Insurance Exchange.
- Members: 10-20 stakeholders will be asked to participate including consumer, small employer, health insurer, navigator, agent/broker, provider, and county representatives as well as state agency and legislative staff and market experts.
- Meetings: Formed in November 2011. Will meet less frequently in 2012.

Tribal Consultation Work Group

- Scope: Consult with tribal governments regarding the design and development of a Minnesota Health Insurance Exchange to address issues for American Indians.
- Members: Roughly 10 participants including Tribal and state agency representatives.
- Meetings: Existing group to continue to meet monthly.

IT and Operations Work Group

- Scope: Provide technical assistance related to multiple technology and operational issues for the development of a Minnesota Health Insurance Exchange.
- Members: 10-20 stakeholders will be asked to participate including consumer, small and large employer, health insurer, navigator, agent/broker, provider, county, and tribal representatives as well as state agency staff.
- Meetings: Will begin to meet in late spring 2012 and may develop into multiple subgroups.

Individual Eligibility Work Group

- Scope: Provide technical assistance and information on options for criteria, functions, processes, and assistance to support streamlined individual eligibility determinations for public and private coverage through a Minnesota Health Insurance Exchange.
- Members: 10-20 stakeholders will be asked to participate including consumer, health insurer, navigator, agent/broker, provider, county, and tribal representatives as well as state agency and legislative staff.
- Meetings: Formed in April 2012.

Small Employers and Employees Work Group

- Scope: Provide technical assistance and information on options for coverage choices, services, processes, and assistance for small employers and employees through a Minnesota Health Insurance Exchange.
- Members: 10-20 stakeholders will be asked to participate including small employer and employee, health insurer, and navigator/broker representatives as well as agency staff, health care market experts, legal experts, and human resources experts.
- Meetings: Formed in March 2012.

Measurement and Reporting Work Group

- Scope: Provide technical assistance and information on options for the reporting of cost, quality and satisfaction for health insurers, benefit plans, and providers through a Minnesota Health Insurance Exchange.
- Members: 10-20 stakeholders will be asked to participate including consumer, small and large employer, health insurer, and provider (physician clinics and hospitals) representatives as well as agency staff and measurement and reporting experts.
- Meetings: Formed in March 2012.

Outreach, Communications and Marketing Work Group

- Scope: Provide technical assistance and explore options related to outreach, marketing, and communication for a Minnesota Health Insurance Exchange.
- Members: 10-20 stakeholders will be asked to participate including consumer, small and large employer, health insurer, navigator, agent/broker, provider, and tribal representatives as well as agency staff and other experts.
- Meetings: Formed in March 2012.

❖ **Governance** – *May include planning for a State-run Exchange or an Exchange run by an independent entity. If an Exchange is expected to be State-run, planning could include determinations of where the Exchange would reside, what the governing structure would be, and to what departments or officials it would be accountable. If an Exchange is expected to be established through an independent entity, planning could include the development of the governance structure, appointment process, conflict of interest rules, and mechanisms of accountability. If the State is planning to coordinate with other States for a regional Exchange, activities relating to coordination with other States to establish an Exchange, determine markets, and ensure licensure and consumer protections could be developed.*

A request for use of Exchange Establishment Grant funds to plan and implement a Minnesota Health Insurance Exchange was included and authorized as part of Governor Dayton's biennial budget request to the 2011 Minnesota Legislature under Minnesota Statutes §3.3005. Level-One funding was requested under this authority and granted to create an initial Exchange governance structure within the Department of Commerce with full time staff to incubate the design and development of a Minnesota Health Insurance Exchange. On October 31, 2011, Governor Dayton issued an Executive Order directing the Commerce Commissioner to "Design and develop a Minnesota health insurance exchange to ensure access to affordable, high-quality health coverage that maximizes consumer choice and minimizes adverse selection."

The Commerce Commissioner has established a Minnesota Health Insurance Exchange Advisory Task Force, under authority granted in Minnesota Statutes §15.014, to provide guidance on the design and

development of an Exchange for Minnesota, including governance. Task Force members were appointed in October 2011 and will serve for two years. The Exchange Task Force released initial recommendations relating to avoiding adverse selection, ongoing financing, governance and navigators and agents/brokers in January 2012, a link to the report can be found on the Minnesota Department of Commerce website. The Health Insurance Exchange Advisory Task Force continues to meet monthly to review and discuss ongoing issues related to Exchange design and development and work of the work groups.

A Governance Work Group was created to provide technical assistance and information on options related to the governance of a Minnesota Health Insurance Exchange. The Governance Work Group met a number of times in late November and early December 2011 and presented options for consideration by the Exchange Task Force in late December 2011. The Exchange Task Force included recommendations related to the ongoing governing of an Exchange in their January 2012 report.

- **Finance** – *May include pathways to developing accounting and auditing standards, mechanisms of transparency to the public, and procedures to facilitate reporting to the Secretary.*

Minnesota has developed work plans and structures to support the scope of financial activities of the Exchange. Grant management, procurement, financial management and internal controls for the Exchange planning and establishment grants currently follow the financial and accounting process and procedures of the Department of Commerce and State of Minnesota. Exchange staff have worked with the Department of Commerce Program Integrity Office to establish a Program Integrity Framework for the Exchange. Within this coordinated effort, the Exchange will be using the COSO framework approach to program integrity. This will include creating a control environment, risk assessment, control activities, information and communication systems and monitoring process. Risk mitigation strategies will be developed for ensuring financial integrity, oversight and prevention of fraud and abuse.

A Finance Work Group has been created to provide technical assistance and information on options related to the ongoing financing of a Minnesota Health Insurance Exchange. The Finance Work Group met three times in late November and early December 2011 and presented options for consideration by the Exchange Task Force in late December 2011. The Exchange Task Force included recommendations related to the ongoing financing of an Exchange in their January 2012 report. Minnesota has also worked with Wakely consulting to develop budget estimates through 2014 that are presented later in this report.

- **Regulatory or Policy Actions** – *May include a determination of the scope and detail of enabling legislation and implementing State regulations.*

In 2011, State agency staff from the Departments of Commerce, Human Services, and Health analyzed and monitored two Exchange establishment bills (HF1204/SF917 and HF497) that were introduced in the Minnesota State Legislature in the 2011 Legislative Session. There were two informational

committee hearings, one in the House of Representatives and one in the Senate, that addressed general Exchange related issues; however, neither of the bills that were introduced had a formal hearing. Multiple Exchange amendments were offered in committee hearings and on the House floor, but none were adopted.

A number of Exchange-related bills were also introduced in the 2012 Minnesota Legislative Session, but none were adopted, including:

- HF2290/SF1872 – Minnesota Insurance Marketplace Act. This bill creates a 19-member board of directors to promote innovation, competition, value, market participation, affordability, meaningful choices, health improvement, care management, and portability of health benefit plans in the individual and small group markets; facilitate and simplify the comparison, choice, enrollment, and purchase of health benefit plans for individuals purchasing in the individual market and in the small group markets; and to assist employers and their employees and individuals with access to health care and premium assistance tax credits and cost-sharing reductions. This bill was referred to the Commerce and Regulatory Reform committee in the House, where it did not receive a formal hearing. In the Senate, the bill was referred to Health and Human Services committee where it was heard, amended and failed to pass.

- HF2739/SF2441 – Minnesota Health Benefits Exchange Act. The purpose of this bill is to improve the health of Minnesotans by providing individuals and small businesses with a variety of high-quality health insurance options that fit their needs, streamlines public programs to assure ease of accessibility and full continuity of coverage, and ensures that individuals who will be eligible for health insurance coverage and financial assistance through the exchange obtain that coverage and assistance to the fullest extent possible. The operation of the exchange is to be governed by a 19 member Board of Directors in partnership with the Departments of Commerce, Health, and Human Services to create a consumer-friendly marketplace that provides consumers with the ability to choose among qualified insurance products, facilitates enrollment in certified health plans, administers financial assistance to those who are eligible, negotiates with health plans to achieve high value for consumers, and achieves goals of reducing health disparities, generating health equity, and ensuring improved health for Minnesotans. The bill was referred to the Commerce and Regulatory Reform in the House where it did not get a hearing. The bill was referred to the Senate Commerce and Consumer Protection Committee where it also did not get a hearing.

- HF497 – Minnesota Exchange Act. This bill creates a Minnesota health insurance exchange to facilitate access to qualified health plans and to assist qualified small employers in Minnesota in facilitating the enrollment of their employees in qualified health plans effective January 1, 2014. The exchange is established as a nonprofit entity organized under this act that has powers, subject to limitations provided under applicable federal or state law or in its articles or plan of operation. The board of directors of the exchange is to be made up of 9 directors, consisting of 3

each appointed by the Senate, House, and the Governor. Subsequent directors are to be elected by the board members. The bill provides for the duties of the exchange, including certification of a health plan as a qualified plan, and provides for the Commissioner of Commerce to supervise the creation of the exchange; monitor compliance and in conjunction with the Commissioner of Health, monitor network adequacy, essential community providers in underserved areas, accreditation, quality improvement, uniform enrollment forms, and descriptions of coverage and information on quality measures for health plan performance. This bill was only introduced in the House, where it was referred to the Health and Human Services Reform committee but did not get a hearing.

- SF2255 – Health Benefit Market Intermediary. This bill defines a health benefit market intermediary as a health benefit exchange created or established pursuant to the federal Affordable Care Act and prohibits such entity from being governed by a state agency, board, or commission operating without a governing body appointed before June 30, 2012, comprised of designated appointments, or lacking private market shareholders as members. This bill also prohibits a health carrier from issuing a health plan with a government subsidy when the purchase of the health plan is facilitated through an exchange that restricts the participation of or places additional requirements on health carriers; sets prices; or requires or limits health benefits and cost sharing in addition to that required by state law. This bill was only introduced in the Senate where it passed the Commerce and Consumer Protection Committee and was referred to the Committee on Health and Human Services House but was not heard.

- HF2349/SF2035 – Insurance Navigators. This bill requires a person to be licensed as an insurance agent to act as a "navigator" as defined in the federal Affordable Care Act. A navigator only facilitating enrollment in state subsidized programs administered by the department of human services is exempt from this requirement. This bill was referred to the Commerce and Regulatory Reform committee in the House where it did not get a hearing. The bill passed the Commerce and Consumer Protection committee in the Senate.

Barriers, Lessons Learned, and Recommendations to the Program

Please report on any issues or problems that have impacted the development and implementation of the project during the reporting period. Detail what impact any issues may have on the achievement of project targets, and set out how you plan to tackle these issues. Also provide any lessons that you have learned during this quarter that you think would be helpful to share with other states as well as any recommendations you have for the program.

Minnesota continues to be open to sharing lessons with other states.

Technical Assistance

Please describe in detail any technical assistance needs you have identified through your planning activities. Please be as specific as possible about the kind of assistance needed and the topic areas you need to address. Discuss any plans you have for securing such assistance.

Minnesota has no technical assistance requests at this time.

Draft Exchange Budget

In order to understand state budgetary requirements moving forward, we ask that you provide a draft budget to the extent possible for Federal fiscal years 2011 through 2014. You may specify functional areas as you deem appropriate based on the types of costs you anticipate incurring. Examples of possible functional areas include personnel, other overhead, IT and systems costs, and other operational costs. When developing IT and systems cost estimates, please ensure that you separate costs for updating Medicaid systems from costs for Exchange systems.

Estimated Baseline Budget for Minnesota Health Insurance Exchange
2011 through 2014 (not including Medical Assistance)

Cost Category	CY 2011	CY 2012	CY 2013	CY 2014	Total	Actual through April 2012
Salary	$263,172	$1,473,603	$2,160,766	$3,504,038	$7,401,579	$551,561
Fringe	$65,812	$465,792	$687,124	$1,114,284	$2,333,012	$139,416
IT Infrastructure	$0	$14,683,110	$18,819,784	$4,536,617	$38,039,511	$236,166
Operations (non-IT Contracts)	$269,147	$1,684,000	$8,991,150	$19,243,422	$30,187,719	$434,067
Administrative Support	$61,671	$432,383	$472,415	$501,201	$1,467,670	$202,855
Indirect	$19,426	$412,198	$533,193	$763,471	$1,728,288	$68,904
Total	**$679,227**	**$19,151,086**	**$31,664,432**	**$29,663,034**	**$81,157,779**	**$1,632,968**
Planning	$528,586	$471,415	$0	$0	$1,000,000	$976,880
L1 August	$187,513	$3,834,541	$146,016	$0	$4,168,070	$627,527
L1 Feb 2012	$0	$14,230,109	$9,101,390	$0	$23,331,499	$28,561
Future	$0	$615,022	$22,417,026	$29,663,034	$52,695,081	$0
Total	**$716,099**	**$19,151,086**	**$31,664,432**	**$29,663,034**	**$81,194,651**	**$1,632,968**

Preliminary budget estimates for the development and first year of operations of a Minnesota Health Insurance Exchange is estimated to be about $81.2 million. ***This estimate is net of any costs that would***

be allocated to Medical Assistance and does not include costs for navigators or brokers. The budget estimate is based on estimated current establishment spending for grants received to date and a budget model developed by Wakely Consulting Group for additional development costs and operating cost for 2014.

The Wakely Model includes benchmark per member per month (PMPM) estimates for functions of the Exchange including eligibility and enrollment, premium processing, website, customer services, marketing, contract services and administrative operations based on a phased in enrollment over calendar 2014 and 2015 to meet 2016 enrollment projections. Estimated 2016 individual and small group enrollment and premiums for the Wakely Model were based on estimates from Jonathan Gruber and Bela Gorman. The model allows Minnesota to toggle between various enrollment and functional scenarios, such as maintenance of effort assumptions for Medicaid and potential options for a Basic Health Plan (BHP).

Based on the enrollment assumptions, the Model estimated 2015 operating costs for the Minnesota Health Insurance Exchange (net of Medicaid and Navigators/Brokers) to be between $40 and $55 million depending on high, medium, and low participation assumptions. The estimated operational revenue needed to sustain the Exchange is valued between 2 and 4 percent of the total estimated premium value of products sold through the Exchange.

Operating Budget and Revenue Estimates for the Minnesota Health Insurance Exchange
Low, Medium, and High Estimate for Calendar Year 2015
(based on Wakely Consultation Group Model)

	Low	Medium	High
Members	246,000	375,000	504,000
Member Months	2,567,896	3,749,726	4,931,555
Estimated Composite Premium	$443.97	$ 444.16	$444.26
Total Exchange Premiums	$1,140,077,598	$1,665,493,499	$2,190,878,743
Operating PMPM	**$15.87**	**$12.76**	**$11.14**
Operating Budget Needs	**40,749,866**	**47,842,248**	**54,933,664**
% of QHP/Exchange Premium Revenue	3.57%	2.87%	2.51%

Work Plan

We ask that you begin working on a draft work plan for your Exchanges that will carry your planning and implementation efforts through January 1, 2014. On a quarterly basis, we would like to see your progress in developing this plan. We would like you to provide key objectives for implementing your exchange and corresponding milestones under each of these objectives. For your first quarterly report, please provide two milestones under each core area. In your second report, please provide four milestones. For your third report and the final report, we expect your work plan to be as comprehensive as possible.

Background Research

Activity	Timing
Household survey with detailed information on sources of coverage and uninsured	Prior to February 2011
Research on the size of the individual and small group markets	Prior to February 2011
Research on number of insurers and market share in individual and small group markets	Prior to February 2011
Background Research Sub-Group created under Interagency Exchange Work Group	February 2011
Contract finalized with Jonathan Gruber and Gorman Actuarial for economic and actuarial modeling	March 2011
Preliminary Exchange enrollment numbers and research findings from modeling contractors available for review and testing of alternative assumptions	October 2011
Review preliminary Exchange economic and actuarial modeling results with health insurers and high risk pool	October 2011
Final Exchange enrollment numbers and research findings from economic and actuarial modeling contractors	November 2011
Present Exchange enrollment numbers and research findings to Advisory Task Force and stakeholders	November 2011
Final report with Exchange enrollment numbers and research findings from modeling contractors	April 2012

Stakeholder Consultation

Activity	Timing
55 meetings with over 90 stakeholder groups including representatives from the employer, consumer, health insurer, health care provider, Tribal, county, and Navigator/broker communities	March – August 2011
Facilitated focus group sessions with employers, consumers, health insurers, providers, and potential Navigators/brokers, including Tribes, related to Program Integration and IT Infrastructure	May 2011
Process/work group for consultation with Federally recognized Tribal governments	August 2011 – Ongoing
Establish Advisory Task Force under Minnesota Statutes §15.014	October 2011
Regular Advisory Task Force meetings, open to the public	November 2011 – Ongoing
Hire Communications and Marketing Director	November 2011
Establish Exchange Technical Work Groups to provide technical assistance	November 2011 – Ongoing
Public evaluation of prototypes from stage two of RFP process	December 2011

Finalize consultation policy with Federally recognized Tribal governments	March 2012

State Legislative/Regulatory Actions and Health Insurance Market Reforms

Activity	Timing
Monitor and review Exchange and health insurance market reform legislation and amendments during Legislative Session	January – May 2011
Receive authority to accept Federal Exchange Establishment funds	May 2011
Advisory Task Force release recommendations	January 2012
Engage Task Force on possible legislative/regulatory actions	November 2011 – February 2013

Governance

Activity	Timing
Establish initial governance structure for incubating design and development of a Minnesota Exchange	August 2011
Hire initial full-time Exchange staff for design and development of a Minnesota Exchange	September – December 2011
Establish and select members for Advisory Task Force under Minnesota Statutes §15.014 to provide guidance and recommendations on design and development of Minnesota Exchange	October 2011
Regular Advisory Task Force meetings, open to the public and all materials posted on website	November 2011 – Ongoing
Establish Exchange Technical Work Groups to provide technical assistance , open to the public and all materials posted on website	November 2011 – Ongoing
Engage Task Force on possible legislative actions for long-term governance	November 2011 – February 2013
Advisory Task Force release initial recommendations	January 2012

Program Integration and IT Infrastructure

Activity	Timing
Exchange Work Group created with interagency agreements for participation from the Departments of Commerce (MDOC), Human Services (DHS), and Health (MDH)	February – August 2011
Program Integration and IT Infrastructure Sub-Group created under Interagency Exchange Work Group	February – August 2011
Interagency work with facilitator to develop framing, concept, and process models that specify the business and technical	April – May 2011

requirements for an Exchange to facilitate an innovative, modular, flexible, and interoperable framework	
Facilitated focus group sessions with employers, consumers, health insurers, providers, and potential Navigators/brokers related to Program Integration and IT Infrastructure	May 2011
Program Integration and IT Infrastructure Sub-Group finalize Exchange IT Gap Analysis	June 2011
Release Exchange IT "Proof of Concept" RFP that specifies broad Exchange goals, objectives, requirements, and program integration alignment	June 2011
RFP stage one proposals due	August 2011
RFP stage one evaluation of all modules and vendor selection	September 2011
Hire Information Project Director	October 2011
RFP stage one contracts executed for vendors selected to develop prototypes and detailed work plans and cost estimates	October 2011
Complete Architecture and Project Baseline review as part of Federal Enterprise Life Cycle gate review process	November 2011
Receive completed prototypes and detailed work plan and cost estimates from RFP respondents for IT modules	December 2011
RFP stage two evaluation of prototypes, proposals, work plans, and detailed cost estimates and execution of contracts for selected contractors	December 2011 – March 2012
Detailed documentation and planning of IT infrastructure and Program Integration work to include: SDLC implementation plan; security risk assessment (IV&V) and release plan; business requirements, design and systems requirements, database design and management, requirements documentation and architecture	March – September 2012
Hire/contract IT Systems Architect, Business Analysts, IT Project Managers and Data Base Administrator	June – July 2012
Finalize contracts with Quality Assurance and User Acceptance Testing Leads	June 2012
Infrastructure development and testing	July 2012 – Ongoing
Complete preliminary development for component integration and systems interaction for IT infrastructure	July 2012
Establish Exchange Technical Work Groups to provide technical assistance	August 2012 – Ongoing
Implement testing and production environment	August 2012 – January 2013
Complete development for modules (requirements, design, and development), component integration, and systems interaction for IT infrastructure	December 2012

System security, user testing, ongoing IV&V and defect and bug fixes	December 2012 - September 2013

Program Integration, Business Operations, Applications and Notices, and Providing Assistance to Individuals and Small Businesses, Coverage Appeals and Complaints

Activity	Timing
Business Operations Sub-Group created under Interagency Exchange Work Group	February 2011
Sub-Group initial assessment of existing processes at the Minnesota Departments of Commerce, Human Services, and Health.	March – August 2011
Begin development requirements for systems and program operations including relevant information to QHP issuers and HHS to stop, start, or change level of premium tax credits and cost-sharing reductions	May 2011 – March 2012
Hire full-time operations staff	September 2011 – January 2012
Develop detailed work plans and preliminary budget estimates for business operations	September 2011 – May 2012
Review federal requirements and timeline for proposing a state risk adjustment methodology and submitting it for federal certification	August 2011 – March 2012
Establish Exchange Technical Work Groups to provide technical assistance, open to the public and all materials posted on website	November 2011 – Ongoing
Evaluate Federal requirements for Navigators and consider responsibilities and training requirements	November 2011 – Ongoing
Review Federal requirements for applications and notices, begin customizing Federal applications and notices as available	January 2012 – Ongoing
Establish protocols for appeals coverage including review standards and timelines and provisions of help to consumers during the appeals process	January – June 2012
Execution of detailed work plans for business operations	January – August 2012
Develop and release RFP for branding and public relations contracts and Minnesota-specific marketing research	February 2012
Evaluate responses and execute contract for marketing research and branding and public relations from RFP	April – August 2012
Additional RFPs and contracts for vendor assistance with implementation of business operations	February – December 2012
Hire Measurement and Reporting Business Analyst and Senior Data Analyst	February – April 2012

Finalize and sign market research contract of communications and marketing RFP	April 2012
Release RFP for health benefit plan cost, quality, and satisfaction rating methodology	March 2012
Evaluate responses and select vendor for public relations contract	May 2012
Evaluate marketing/communication infrastructure for internal resource shortfalls	May 2012
Draft scope of work for building capacity to handle appeals coverage functions	May – July 2012
Develop requirements for Navigators	May – July 2012
Develop options for potential state risk adjustment methodology, including data sources	May – October 2012
Hire Individual Eligibility and Assistance Business Analyst	June 2012
Seek out promotional partners to assist with introductory campaign	June 2012
Hire Consumer Assistance Coordinator	June 2012
Execute contract for health benefit plan cost, quality, and satisfaction rating methodology	June/July 2012
Begin marketing/public relations planning	June 2012 – December 2013
Release RFP for evaluation of call center services and workflow processes	June 2012
Produce an educational pamphlet to use for introductory campaign	July 2012
Share results of marketing research via webinar with stakeholders	July 2012
Execute contract for evaluation of call center services and workflow processes	July 2012
Identify process for becoming a Navigator	July – August 2012
Develop exhibit for introductory campaign	July 2012
Begin developing process and operation plans for appeals functions	July – December 2012
Bring exhibit to State Fair	August 2012
Establish a process for reviewing consumer complaint information when certifying qualified health plans	September 2012 – January 2013
Review federal risk adjustment methodology when published	October – December 2012
Finalize training and "certification" process for Navigators	December 2012
Finalize all applications and notices including stakeholder review, testing, translation of content, etc, prior to open enrollment	January – March 2013
Develop call center customer service representative protocols and scripts to respond to likely requests from health care	January – April 2013

consumers	
Plan selection and notification	May 2013
Conduct plan readiness reviews	June – September 2013
Implement Navigator selection process, issue contracts or certificates for Navigators and begin training	June– August 2013
Train call center representatives on eligibility verification and enrollment process and other applicable areas	June – August 2013
Initiate communication with HHS on process for referring appeals to the Federal appeals process	June – September 2013
Test protocols and eligibility verification	July – August 2013
Begin ongoing operations of Navigator program	October 2013
Begin using applications and notices to support eligibility process	October 2013 – Ongoing
Begin call center operations	October 2013 – Ongoing

Financial Management and Program Integrity

Activity	Timing
Utilize existing state processes and procedures to ensure adequate financial management of Exchange planning and establishment funds	February 2011 – ongoing
Financing Options Sub-Group created under Interagency Exchange Work Group	February 2011
Hire Finance Director	September 2011
Develop detailed financial management and program integrity work plans	September – December 2011
Provide strategic direction for financial operations and financing mechanisms – including cost allocation between Medicaid and the Exchange, and ensure financial monitoring and reporting compliance	August 2011 – February 2013
Establish Exchange Technical Work Groups to provide technical assistance	November 2011 – Ongoing
Develop financing options for 2015	November 2011 – October 2012
Complete high level risk assessment on core business functions	November 2011 – June 2012
Develop ongoing budget and sustainability plan	November 2011 – February 2013
Develop business process and risk mitigation strategies	February – December 2012
Conduct a cash flow analysis for 2015	March – June 2012
Hire Fund Aggregation and Finance Reporting Business Analyst	May 2012
Establish process to participation in state and Commerce Department Code of Ethics	June 2012
Develop COOP plan and disaster recovery plans or incorporate COOP and disaster recovery plans into Department of Commerce plans	June 2012 – Ongoing

Objective third party audit of all systems and internal controls	September 2012 – Ongoing
Implement business process and risk mitigation strategies	January – December 2013
Test adequacy of data security and systems	January 2013 – Ongoing
Submit annual accounting report to HHS	January 2014 – Ongoing
Comply with HHS reporting requirements relating to auditing, and prevention of waste, fraud and abuse	January 2014 – Ongoing
Contract with third party audit	2013
Objective third party audit of all systems and internal controls	2013

Collaborations/Partnerships

Report on who you are working with outside of your office or department, and any changes or issues in your institutional context and/or any progress or issues with your project partners (where applicable).

The activities included in this Planning Grant were carried out as a collaborative effort from a number of State agencies including the Departments of Commerce, Health, Human Services, MNIT Services, and Management and Budget. A number of stakeholder groups including employers, consumers, health insurers, health care providers, brokers/navigators and representatives of tribal governments in the State have been, and will continue to be, consulted.

PRA Disclosure Statement

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0938-1101. The time required to complete this information collection is estimated to average (433 hours) per response, including the time to review instructions, search existing data resources, gather the data needed, and complete and review the information collection. If you have comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to: CMS, 7500 Security Boulevard, Attn: PRA Reports Clearance Officer, Mail Stop C4-26-05, Baltimore, Maryland 21244-1850.