# A Roadmap to Exchange Design in Vermont

**Submitted by Bailit Health Purchasing, LLC**
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## I. Exchange Roadmap Introduction

The Vermont Health Benefit Exchange goes beyond what most states will propose for an exchange, especially in terms of payment reform, cost control and administrative simplification. To extent allowed under federal law, the Vermont Health Benefit Exchange will unify and simplify health benefit plans and is envisioned to provide the foundation for a single-payer health care system in Vermont. As a step towards single-payer, the state will strive to include in the exchange as much of the state's population as possible and the exchange will also drive delivery system change and cost reductions.
This document will provide the reader with three things:

1. An understanding of the topical areas considered in the Exchange Design Planning process;
2. An explanation of the process being used to answer the questions in each of the topical areas; and
3. A detailed timeline for the work.

## II. Strategic Planning Document

The Vermont Exchange Planning Process will be transparent, incorporate feedback from multiple stakeholders, build upon existing data, leverage existing planning processes, produce new information as necessary, and collaborate with other inter and intra state groups as appropriate. Key Questions to begin the discussion include the following:

- What is the Vision for Vermont's Exchange?
- What are the key Goals for Vermont's Exchange?
- What are the primary Objectives for Vermont's Exchange?

The Administration introduced legislation (H.202/S.57) that includes recommendations regarding the Vision, Goals, and Objectives for the Exchange. The legislation also includes direction on high-level governance and answers basic organizational questions. The table below includes a summary of basic structural issues or unanswered questions to be considered and an "Expected Source" column that provides some early indication of where in the Exchange Planning process the information will be derived. The items in italics in this column are secondary or tertiary sources of information that may assist in making the decisions.

| 1. Basic Structure Design – Roadmap | | |
|---|---|---|
| **#** | **Question** | **Expected Source** |
| a. | What is the Vision for Vermont's Exchange?<br><br>The vision is to create an exchange that will simplify and standardize health benefit plans in order to reduce complexity as a step towards creating a single-payer. | Legislation |
| b. | Is there any thought of ceding the Exchange to the Feds?<br>No. | Legislation |
| c. | Is there a minimum number of lives that the State believes should be in the exchange?<br><br>Subject to additional analysis, the legislation proposes that all lives in the small and individual markets be included at the start of the Exchange in 2014 as the minimum size. | Legislation<br>*Financial Sustainability*<br>*Options Analysis* |
| d. | How large will the Exchange be in terms of lives covered and premiums/subsidies/credits 'passing through'?<br><br>The exchange is more likely to be successful and meet the goals of achieving a single payer if the maximum allowable lives are included. | Legislation<br>*Financial Sustainability*<br>*Options Analysis*<br>*Churning Assessment*<br>*Uninsured Study* |
| e. | Are there any early thoughts of:<br>Regulatory supervision by BISHCA (e.g. producer licensing requirement, authority to investigate the affairs of the Exchange, approval of rates, etc. as per NAIC model legislation)<br><br>The legislation provides BISHCA with regulatory supervision, although the department of Vermont health access will certify plans in the exchange. | Legislation |
| f. | Does VT want to design a robust Exchange (e.g., that drives the market and promotes public health and prevention) or an Exchange that merely facilitates subsidies and the purchase of insurance?<br><br>The legislation provides for a robust exchange. | Legislation<br>*Stakeholder Analysis* |
| g. | What role should the Exchange play in overall health care system design (including payment reform and potential for single payer model)?<br><br>The exchange should play a key role in driving health reform in Vermont. | Legislation<br>*Financial Sustainability*<br>*Options Analysis*<br>*Financial Functions Analysis*<br>*Integration Opportunities* |
| h. | Does VT want to have one Exchange that serves both individuals and businesses, as well as all regions of the state, or does VT foresee more than one Exchange? | Legislation |

| 1. Basic Structure Design – Roadmap | | |
|---|---|---|
| **#** | **Question** | **Expected Source** |
| | One exchange. | |
| h.i | How will risk pools work for individuals and small businesses– combined or separate?<br><br>The legislation proposes to have a combined risk pool for individuals and employees of small businesses. | Financial Functions Analysis<br>*Current Insurance Market Study* |
| i. | Governance:<br>Where should the Exchange be housed?<br>a. Public or non-profit entity?<br>b. If public, existing state agency or new agency or quasi-public agency?<br><br>The legislation proposes to house the exchange as part of the department of Vermont health access.<br><br>c. Should there be a Board to oversee the activities of the Exchange?<br>i. Who should be represented on the Board?<br>ii. What are the conflict of interest rules?<br>iii. What is the appointment process?<br>iv. What are the powers and duties of the Board?<br>v. How do you envision the Exchange interacting with other governmental agencies (both state and federal)?<br><br>The legislation proposes an advisory board to inform DVHA about consumer and health care professional concerns and issues. | Legislation |

A comprehensive listing of detailed topics and questions is provided later on in this Roadmap. The preceding listing contains only those Exchange Design options that have been submitted to the legislature in the form of enabling legislation. The remainder of the topics and questions will be explored using the process described in this Roadmap over the course of the next nine months.

## III. Overview of Exchange Provisions in ACA

The ACA requires the establishment of an American Health Benefit Exchange (AHBE) in each state by January 1, 2014. The Exchange must provide both an insurance marketplace for individuals and a Small Business Health Options Program (SHOP) for businesses in the small group market. The federal government will step in and create Exchanges in states that have not made significant progress toward the development of an Exchange by 1/1/2013. Grant funding and technical assistance is being made available to states for establishing their exchanges in several stages. First, up to $1 million per state was awarded in September 2010. Vermont was one of 48 states awarded this funding. In addition, Vermont has been awarded an Early Innovator grant funding to support IT model infrastructure development (Vermont joined other

New England states in applying for this opportunity and the funds are awarded directly to Massachusetts). Additional federal implementation grants were recently announced and will be available to states beginning in March, 2011. Technical assistance is also being made available from the federal government and from the Robert Wood Johnson Foundation. Finally, model legislation from both the National Association of Insurance Commissioners (NAIC) and the National Association of Social Insurance (NASI) has been made available. H.202 was largely based on the NAIC model. Further guidance from the federal government is expected on many of the issues described in this section.

The following table provides a listing of the minimum Exchange requirements included in the ACA and further described by the Office of Consumer Assistance and Insurance Oversight. Following this table is a detailed discussion of ACA requirements that will guide the development of the Exchange in Vermont.

| | ***Individual Exchange*** | ***SHOP Exchange*** |
|---|---|---|
| Determine and Coordinate eligibility | - Seamless eligibility and enrollment process with Medicaid and other state-level programs<br>- Eligibility determination<br>- Individual responsibility determinations<br>- Administration of premium tax credits and cost sharing reductions<br>- Facilitate free choice vouchers<br>- Verify if individuals have access to affordable and quality employer-sponsored insurance. | - Facilitate small employer tax credits |
| Create benefit categories of health insurance plans | - Four benefit levels + separate catastrophic plan: Bronze, Silver, Gold, Platinum, Catastrophic | - Four benefit levels: Bronze, Silver, Gold, Platinum |
| Offer Multistate Plans | -Two multistate plans | -Two multistate plans |
| Certify Qualified Health Plans | - Certify, recertify and decertify qualified health plans and approve insurers to offer them | - Certify qualified health plans and approve insurers to offer them |
| | | |
| Contract with qualified health plans, and co-ops to offer health insurance | Solicit and negotiate bids, contract for coverage | Solicit and negotiate bids, contract for coverage |
| Maintain a call center for customer service and establish procedures for enrolling individuals and businesses | - Assist consumers in selecting plan<br>- Maintain call center<br>-Establish enrollment process | - Assist businesses in selecting a plan for their employees<br>- Assist employees of enrolled employers in selecting a plan<br>- Establish a process for enrolling employees from single employer into multiple plans<br>- Assume aggregator role |

| | | |
|---|---|---|
| Establish a website for comparison shopping | Include premium tax credit and cost sharing reduction calculator | For small employers and their employees |
| Assign quality ratings and reward quality | - Developed by HHS<br>- Include information on website | Developed by HHS |
| Establish Navigator Program and other outreach and education | - Grants to organizations that assist individuals in enrolling | Grants to organizations that assist employers and employees in enrolling |
| Appeals, applications and notices | - Develop procedures for notifying individuals of eligibility decisions<br>- Provide for an appeals process for individuals and employers | - Develop procedures for notifying employers of tax credit eligibility |
| Reporting | -Establish system for reporting accurate and timely information to IRS | |
| Risk Adjustment and Transitional reinsurance | - Facilitate risk adjustment and reinsurance | |

## A. Determine and coordinate eligibility

The Exchange is responsible for facilitating a seamless eligibility and enrollment process for individuals eligible for premium tax credits, Medicaid and other state programs. The ACA makes available premium tax credits for individuals with incomes greater than 133% and not more than 400% of the Federal Poverty Level (FPL) on a sliding-scale basis. Individuals can access these subsidies only by purchasing a qualified health benefit plan the Exchange. Premium tax credits are set on a sliding scale such that the premium contributions are limited to the following percentages of income for specified income levels:

- Up to 133% FPL: 2% of income
- 133-150% FPL: 3 – 4% of income
- 150-200% FPL: 4 – 6.3% of income
- 200-250% FPL: 6.3 – 8.05% of income
- 250-300% FPL: 8.05 – 9.5% of income300-400% FPL: 9.5% of income

In addition to premium tax credits, cost-sharing subsidies are available to people up to 250% FPL to reduce the cost-sharing amounts increasing the actuarial value of the basic benefit plan to the following percentages:

- 100-150% FPL: 94% of the benefit costs will be covered
- 150-200% FPL: 87% of the benefit costs will be covered
- 200-250% FPL: 73% of the benefit costs will be covered

The ACA also limits annual out-of-pocket cost-sharing for individuals and families up to 400% FPL as follows:

- 100-200% FPL: 1/3 HSA limit or $1,983/$3,967
- 200-300% FPL: 1/2 HSA limit or $$2,975/$5950
- 300-400% FPL: 2/3 HSA limit or $3,967/$7,933

The Exchange will also be responsible for determining "affordability" waivers which will grant access to the Exchange to individuals where employer-offered coverage is available but is greater than 9.5% of income. In addition, where the employer offer of coverage is between 8-9.8% of income or the actuarial value of the coverage is less than 60%, the Exchange will coordinate employer vouchers for the individual. In addition to subsidized individuals, the Exchange may sell insurance to other individuals as long as they are legal US citizens and legal immigrants who are not incarcerated. However, unsubsidized individuals are not required to purchase insurance through the Exchange.

The ACA also makes available tax credits for certain small businesses with 25 or fewer employees with average wages of $50,000 or less. Beginning in 2014, employers taking advantage of these credits must purchase health insurance via the SHOP Exchange. Employers can take advantage of the tax credits outside the Exchange before 2014. Small businesses that are not eligible for the tax credit (up to 100 employees) may also purchase group health insurance for their employees through the Exchange but are not required to do so.

States have some flexibility regarding which employers they permit to purchase insurance via the SHOP Exchange. For example, states can limit the SHOP Exchange to employers with 50 or fewer employees until 2016. Beginning in 2016, employers of up to 100 employees must have the option of purchasing through the state's SHOP Exchange. States can also expand access to the SHOP Exchange to employers with more than 100 employees beginning in 2017.

**B. Create benefit categories of health insurance plans**

The ACA creates four benefit categories of health insurance plans which must provide the minimum essential health benefits (to be defined by HHS). These plans are defined by actuarial value, which is a summary measure of the amount of medical claims that would be paid by the health plan as a percentage of the total medical claims incurred for a standard population. The four categories of plans are:

- Platinum (90% of the benefit costs must be covered by the plan)
- Gold (80%)
- Silver (70%)
- Bronze (60%)

Premium tax credits are tied to the second-lowest-cost silver plan in the state's Exchange. Catastrophic plans may be available, at the state's discretion, to individual purchasers under 30 or people who meet affordability exemptions from the mandate. Essential Health Benefits will be defined further by the federal government but generally include:

- Ambulatory and Emergency Services
- Hospitalization
- Maternity & newborn care
- Mental health & substance abuse
- Rx
- Rehabilitation and devices
- Laboratory services

- Preventive and wellness
- Pediatric (oral and vision)

The ACA permits both an individual and group health insurance market to continue to exist outside the Exchange. The ACA also provides for the renewal of grandfathered plans outside the Exchange. States can determine how much they want to limit the number and type of product offerings inside and outside the Exchange. Historically, there have been problems with adverse selection in similar programs and states are advised to consider this issue seriously in the design of their Exchange and coordination of the Exchange with the outside market. The ACA included a number of provisions to mitigate such adverse selection in the Exchange including:

1) An individual mandate to hold "minimum essential coverage," requiring most people to purchase or enroll in a standard insurance plan.
2) Essential health benefits requirements apply to plans inside and outside of the Exchange, thereby standardizing to a certain extent what constitutes insurance.
3) Insurance reforms such as modified community rating, guaranteed issue and renewal, and limits on waiting periods and preexisting conditions apply both inside and outside the Exchange.
4) Individuals (and small groups) inside the Exchange are pooled with non-grandfathered plans outside the Exchange (together if individual and small group markets are merged).
5) Risk-adjustment programs are established, including special transitional programs during the early phases of reform when there is more uncertainty in assessing risk due to changes in the market.
6) Premium subsidies (to 400% FPL), cost-sharing subsidies, and employer tax credits are only available within the Exchange, which should result in a good-sized risk pool.

Insurers are not required to participate in the Exchange, and they can remain outside the Exchange offering lower-cost plans unless a state legislates otherwise. If they offer through the Exchange they must offer Gold- and Silver-level coverage before they can sell other levels of coverage to limit "cherry-picking" healthy lives who may gravitate towards less comprehensive plans.

**C. Offer multistate plans**

Beginning in 2014, two multistate plans (one of which must be nonprofit) will be available in the Exchange and managed by the U.S. Office of Personnel Management (OPM). These plans will only be offered to individuals and small groups (up to 100). These plans are currently under development by OPM.

**D. Certify, recertify and decertify qualified health plans**

The Exchange is responsible for developing a process for certifying Qualified Health Plans using criteria which will be developed by HHS. At a minimum, these criteria include:

- Provide Essential Benefits package
- Offered by issuer in good standing
- Must offer at least one gold and one silver plan
- Use same premium inside and outside of exchange
- Comply with other requirements of HHS and exchange

- State may allow or prohibit qualified plans from offering abortion coverage
- Meet marketing requirements
- Ensure provider network adequacy
- Include essential community providers
- Be accredited by recognized entity
- Use market-based strategies for Quality Improvement
- Utilize uniform enrollment form - (NAIC)
- Use standard format for presenting options
- Submit justification for premium increases

**E. Contract with qualified health plans, and co-ops to offer health insurance**

Exchanges must develop a process for contracting with qualified health plans. In addition to multi-state plans, a state may enter into interstate compacts as well as offer plans offered by cooperatives and "qualified direct primary care medical home plans." The ACA does not prohibit states from creating a public plan to bring additional competition to the marketplace as long as the plan meets the requirements necessary to be a qualified health plan, including that the plan be offered by a health insurer.

**F. Maintain a call center for customer service and establish procedures for enrolling individuals and businesses**

The Exchange must establish and maintain a call center to assist individuals and small businesses. The ACA allows, but does not require, Exchanges to enroll individuals or employees of small firms into health plans.

**G. Establish website for comparison shopping**

The Exchange is responsible for the development and maintenance of a website .The website must include at a minimum a summary of benefits and coverage explanations and a cost calculator for consumers.

**H. Assign quality ratings and reward quality**

The Exchange will reward quality based on guidelines developed by HHS. The rewards for improvements in quality can be increased reimbursement or other financial incentives. The quality initiative will require further guidance from HHS, but could designate plans that improve health outcomes or patient safety, prevent hospital readmissions, implement wellness and health promotion activities by:

- Effective case management
- Quality reporting
- Care coordination
- Chronic disease management
- Use of medical home model
- Patient education
- Evidence-based medicine

Insurers offering coverage through the Exchange also may be eligible for incentive payments of other rewards.

**I. Establish a "Navigator" program**

Exchanges must develop a Navigator program by 1/1/2014. Navigators are individuals or organizations who will educate consumers about their health insurance and subsidy options, assist consumers in choosing and enrolling in a health plan, and make referrals to the ombudsman as necessary. A state may choose to include any of the following as Navigators in their Exchange: trade groups, community organizations, unions, chambers of commerce, associations, or licensed producers. Funding for Navigators will be provided through grants funded by operational revenues generated by the Exchange. Importantly, no federal funds can be used to pay Navigators. In addition to Navigators, the Exchange will need to establish a robust marketing and education campaign to ensure that eligibility and enrollment into insurance programs is maximized.

**J. Appeals, applications and notices**

Exchanges will need to develop processes for providing notices regarding eligibility to individuals and employers, which may be consolidated with the current Medicaid eligibility process. In addition, the Exchange must provide for a system for appeals.

**K. Reporting**

The Exchange will need to develop numerous processes for reporting to other agencies within the state and to the federal government including exchanging income related information from applicants to the IRS, passing citizenship/immigration status information from applicants to the Social Security Administration and Department of Homeland Security, and verifying and resolving inconsistent information.

## IV. Potential options for Expanding the Reach of the Exchange

Options to expand coverage under the Exchange include adding to the Exchange:

1. Medicare
2. Large Employers
3. Municipal employees, school employees
4. University students
5. State government employees and state contractors ineligible for state benefits

The state may also expand the reach of the Exchange by expanding its functions. Expanded functions may include:

1. Incorporating statewide payment reform strategies
2. Adopting quality measures
3. Serving as overall lead for state efforts to implement all aspects of the PPACA
4. Leading state efforts to adopt a single payer system

## V. Data Necessary to Plan for Exchange Design and Implementation

The Exchange Design process in Vermont anticipates the need for new and supplemental information as well as the coordination with other stakeholder, planning, and research activities.

The State of Vermont has rich sources of data available to it in the planning for an Exchange. These existing sources include:

1. A decade worth of uninsured and underinsured survey information including a recent churning analysis
2. A functional multi-payer data set that includes all commercial payer claims information.
3. A functional Health Information Exchange.
4. A robust Medicaid Management Information System (MMIS).
5. A functional data warehouse within the Agency of Human Services

The Exchange Design process itself includes the following data gathering, analysis, coordination, and organizational tasks:

1. A targeted analysis of existing uninsured data.
2. A survey of commercial payers to gather benefit design information.
3. A targeted stakeholder study that is to be designed to obtain information identified as necessary to the Exchange Design process including:
    a. Information on small employers;
    b. Information on the uninsured:
    c. Information on Insurance Producers; and,
    d. Information on non-profit and community based organizations.
4. An analysis of Exchange financial functions to be performed by the Exchange.
5. An analysis of Exchange financial sustainability options.
6. Coordination with the Act 128 Single Payer Study and health care reform legislation to be enacted in 2011 and incorporation of data from the same into the Exchange Design.
7. The production of White Papers that provide background on and recommendations, as appropriate, around topical areas of importance in the Exchange Design process.

Each of the preceding data gathering, analysis, and organization tasks are included as part of the Exchange Planning work in order to inform the Design Process. The detailed Work Plan (attached) provides significant additional detail regarding the timing and integration of these activities as part of the Exchange Planning Process.

## 6. High Level Planning and Implementation Timelines

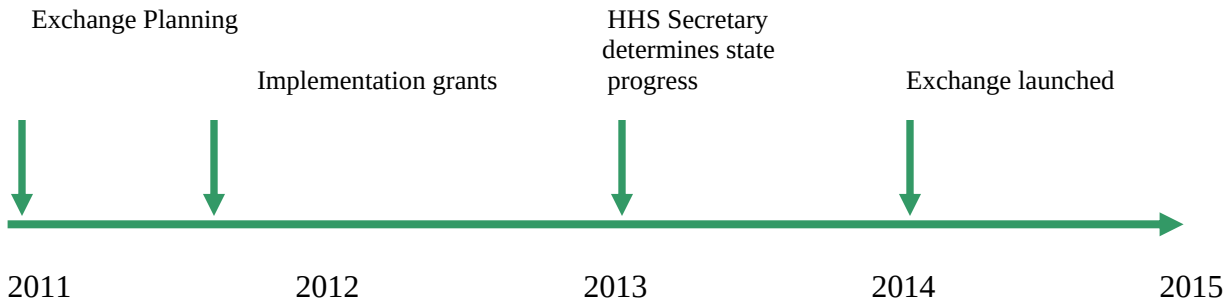
In order to provide a high level overview of the Exchange Planning and Implementation Timelines two tables are provided here. The table immediately below provides the draft and final deliverable dates for each of the major components of the Exchange Planning work. The second table provides key early dates for Implementation that will allow the State to meet the federal schedule for an operational Health Benefits Exchange.

| High Level Planning Timeline (January 2011 – September 30, 2011) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **January** | **February** | **March** | **April** | **May** | **June** | **July** | **August** | **September** |
| Roadmap | | Draft Roadmap<br><br>3/1 | Final Roadmap | | | | | | |
| Exchange Design | Categorized Questions and Priorities | | Plan for Feedback | | Initial Findings | Final Report | | | |
| Exchange Implementation | | | | | | | Draft Implementation Plan | | Final Implementation Plan |
| Exchange Financial Sustainability Options Analysis | | | | Financing Options Due | | Refined Analysis | | Final Analysis | |
| Analysis of Exchange Financial Functions | | Summary of Functions<br><br>Draft Matrix | | Draft Matrix with Cost Estimates | Options Analysis | Final Report | | | |
| Study of the Uninsured | Proposed Outline | Draft Report | Final Report | | | | | | |
| Stakeholder Study | Timeline | Progress Report | | Final Report | | | | | |
| Study of the Current Insurance Market | Methodology | Draft Report | Final Report | | | | | | |
| Integration Opportunities | Approach | Matrix of Comparisons | Draft Report | | | Final Report | | | |
| Formal Assessment of Churning | Work Plan and Survey Tool | | Draft Report | | | Final Report | | | |
| Implementation Grant Submission | | | | | | | | Draft Grant Prepared | Grant Submitted |

## VII. High level Implementation Timeline

The following represents a high level overview of the Exchange Implementation process. As part of this planning work a detailed Exchange Implementation Plan will produce using the decisions made during the Exchange Design Phase of the project as its basis.

**Figure 1: Implementation Timeline**




## VIII. Topic Areas to be explored and Questions to be answered during the Exchange Design Process

The following tables provide the topical areas to be considered along with the specific questions to be answered as part of the Exchange Design process. The tables are broken out in the following major topical areas:

1. Basic Structure Design – These are the few basic structure design questions not answered within the context of the planned enabling legislation.
2. Interaction with Public Programs
3. Interaction with the Insurance Market
4. Business Operations
5. Interaction with Single Payer

| **1. Basic Structure Design** | | |
|---|---|---|
| **#** | **Question** | **Expected Source** |
| j. | How interested is VT in exploring regionalization for its Exchange?<br><br>Vermont has joined other New England states to receive an Early Innovator grant. Because of our unique interests, it is not anticipated that Vermont would join a regional exchange. | Senior State Leadership |
| j.i | What functions are of most interest? | Financial Functions Analysis |
| j.ii | What are barriers to joint procurements and/or planning? | Financial Functions Analysis |
| k. | Is state interested in issuing RFIs to collect information from vendors who may be able to provide functionality to the Exchange – e.g. toll free hot lines, web site, calculator, certain reporting, 'off the shelf' solutions, etc. | Senior State Leadership |

| 2. Interaction with Public Programs | | |
|---|---|---|
| **#** | **Question** | **Expected Source** |
| a. | How will the Exchange interact with Vermont's Public Health Care Programs operated by DVHA?<br><br>The Exchange will be house in DVHA and will become the eligibility portal for Vermont's health care programs. | Legislation |
| b. | What opportunities exist to leverage the new Eligibility System?<br><br>The new eligibility system will be designed to accommodate eligibility determinations for the exchange. | Senior State Leadership<br>Financial Functions Analysis<br>Financial Sustainability Options Analysis<br>Integration Opportunities<br>Bailit White Paper |
| b.i | What is the timing for the new eligibility system vis-à-vis the Exchange development timeline? Will there be a need for an interim connectivity solution? | Integration Opportunities |
| b.ii | Can VT leverage existing web portal and email options? | Integration Opportunities |
| b.iii | Does VT have capacity to accept applications over the phone? | Integration Opportunities |
| b.iv | Does VT want to provide a face-to-face option?<br><br>Yes, using existing DCF offices. | Senior State Leadership<br>Integration Opportunities |
| b.v | How will eligibility process work in rural areas? | Integration Opportunities |
| b.vi | How will detail for eligibility decisions overlap with Medicaid (e.g., need to look for other health insurance before determine eligibility for tax credit within the Exchange)? | Integration Opportunities |
| c. | Is it possible for the Exchange to link into current outreach for public programs or is a new approach needed? | Integration Opportunities |
| d. | How can VT ensure a "no wrong door" approach? Coordination with other programs such as housing, SNAP, etc | Integration Opportunities |
| e. | Does the state have an interest in exploring the development of a Basic Health Plan? Yes. | Legislation<br>Senior State Leadership |
| e.i | What are pros and cons of developing this plan? | Bailit white paper |
| e.ii | How does a Basic Health Plan impact the overall functioning of the Exchange in terms of volume/covered lives? | Financial Functions Analysis<br>Financial Sustainability Options Analysis |
| f. | Will the same plans be offered through Vermont's Public Health Care Programs and the Exchange? | Senior State Leadership<br>Integration Opportunities<br>Current Insurance Market Study<br>Bailit White Paper |

| 3. Interaction with Insurance Market | | |
|---|---|---|
| **#** | **Question** | **Expected Source** |
| a. | How do the MLR requirements in the ACA compare with VT's current requirements? If different, are there changes planned? | Current Insurance Market Study |
| b. | Does the State envision an insurance market outside of the Exchange?<br><br>The legislation recommends merging the individual and small group markets into the exchange, but further analysis is needed.<br><br>i. Could the answer vary between individual and small group?<br><br>ii. If there is to be an insurance market outside of the Exchange, what reforms will the state be prepared to undertake in the outside market to minimize adverse selection? | Legislation<br>Senior State Leadership<br>Current Insurance Market Study<br>Stakeholder Analysis<br>Financial Sustainability<br>Options Analysis<br>Financial Functions Analysis<br>Bailit White Paper |
| c. | How do the Community Rating requirements in the ACA compare with VT's current requirements? If more progressive, how does Vermont want to handle differences? | Current Insurance Market Study<br>Bailit White Paper |
| d. | How interested is the state in participating in a multi-state compact (can't be effective until 2016)? | Senior State Leadership<br>Current Insurance Market Study |
| e. | Is VT interested in merging its non-group and small group market?<br><br>Yes, the legislation recommends merging these markets, but further analysis is needed. | Legislation<br>Senior State Leadership<br>Current Insurance Market Study<br>Financial Sustainability<br>Options Analysis<br>Bailit White Paper |
| f. | Does VT want to limit small groups to 50 instead of 100 at start of Exchange (through 2016)?<br><br>The legislation as introduced recommends starting the small group at 100, but further analysis is needed. | Legislation<br>Senior State Leadership<br>Current Insurance Market Study<br>Financial Sustainability<br>Options Analysis<br>Bailit White Paper |
| g. | Will products offered in the Exchange be required to be offered outside the Exchange and vice versa? | Senior State Leadership<br>Current Insurance Market Study<br>Bailit White Paper |

| 3. Interaction with Insurance Market | | |
|---|---|---|
| **#** | **Question** | **Expected Source** |
| h. | Will Vermont require uniform enhancements to the essential health benefits offered through the Exchange (e.g. VT's mandated benefits)?<br><br>The legislation anticipates that the administration will analyze this and provide information to the general assembly to determine which mandates will remain. | Senior State Leadership<br>Current Insurance Market Study<br>Financial Sustainability Options Analysis<br>Bailit White Paper |

| 4. Business Operations | | |
|---|---|---|
| **#** | **Question** | **Expected Source** |
| *a.* | *General* | |
| a.i | If one Exchange functions for small businesses and individuals, how will business operations need to differ? | Senior State Leadership<br>Financial Functions Analysis<br>Integration Opportunities<br>Bailit White Paper |
| *b.* | *Marketing and Outreach* | |
| b.i | How will the state market the Exchange as a new entity? | Senior State Leadership<br>Current Insurance Market Study<br>Stakeholder Analysis<br>Integration Opportunities<br>Uninsured Study<br>Bailit White Paper |
| b.ii | How will the state outreach to individuals and businesses that may be eligible to purchase through it? | Senior State Leadership<br>Current Insurance Market Study<br>Stakeholder Analysis<br>Integration Opportunities<br>Uninsured Study<br>Bailit White Paper |
| *c.* | *Enrollment* | |
| c.i | Is an aggregator role envisioned for nonsubsidized individuals and or businesses in the Exchange?<br><br>Yes, but further analysis is needed. | Senior State Leadership<br>Financial Sustainability Options Analysis<br>Bailit White Paper |
| c.ii | How robust will the aggregator role be? | Senior State Leadership<br>Financial Sustainability Options Analysis<br>Bailit White Paper |
| c.iii | How will open enrollment periods be coordinated? | Integration Opportunities<br>Bailit White Paper |
| *d.* | *Website* | |
| d.i | What functions does the state want to include in the required web portal? | Senior State Leadership<br>Bailit White Paper |
| d.ii | What databases does the state want the web portal to access? | Senior State Leadership<br>Bailit White Paper |
| d.iii | Will quality and costs of providers be available on the web portal in addition to information on plans? | Senior State Leadership<br>Financial Functions Analysis<br>Bailit White Paper |
| *e.* | *Procurement and Certification of Plans* | |

| 4. Business Operations | | |
|---|---|---|
| **#** | **Question** | **Expected Source** |
| e.i | How interested is the state in supporting the sale of CO-OP plans in the Exchange? | Senior State Leadership<br>Bailit White Paper |
| e.ii | Is VT interested in selective contracting or can every carrier meeting minimum requirements participate in the Exchange?<br><br>The legislation recommends using selective contracting in the exchange. | Legislation<br>Senior State Leadership<br>Financial Sustainability<br>Options Analysis<br>Current Insurance Market Study<br>Bailit White Paper |
| e.iii | Will any greater standardization of plans (other than actuarial value) be used?<br><br>Because the goal of the legislation is to standardize plans, it is anticipated that there would be greater standardization. | Legislation<br>Senior State Leadership<br>Current Insurance Market Study<br>Bailit White Paper |
| e.iv | Will criteria for network adequacy be different from current standards? | Senior State Leadership<br>Current Insurance Market Study<br>Bailit White Paper |
| e.v | Will carriers be required to offer all levels of coverage in the Exchange?<br><br>At minimum, silver and gold. | Legislation<br>Senior State Leadership<br>Current Insurance Market Study<br>Stakeholder Analysis<br>Bailit White Paper |
| e.vi | Given that current VT plans tend to be well above bronze and silver packages, how will VT treat essential benefits as compared to state mandated benefits? If bronze and silver plan packages are offered, how will it impact cost sharing and benefits? | Senior State Leadership<br>Current Insurance Market Study<br>Financial Sustainability<br>Options Analysis<br>Financial Functions Analysis<br>Bailit White Paper |
| e.vii | How will the Exchange certify plans? Any interest in contracting with BISCHA to conduct certifications (as per NAIC model act)?<br><br>The legislation currently anticipates the exchange certifying plans. | Legislation<br>Senior State Leadership<br>Integration Opportunities<br>Financial Functions Analysis<br>Bailit White Paper |
| *f.* | *Interaction with Employers* | |
| f.i | How will the Exchange determine who is eligible for employer vouchers? | Financial Functions Analysis<br>Stakeholder Analysis<br>Bailit White Paper |

| 4. Business Operations | | |
|---|---|---|
| **#** | **Question** | **Expected Source** |
| f.ii | How can the Exchange be made attractive for small businesses to join? | Stakeholder Analysis<br>Bailit White Paper |
| f.iii | Would Vermont be interested in expanding to larger employers (including state employee risk pool) in 2017?<br><br>Yes, unless we could allow larger employers to join voluntarily before then. | Senior State Leadership<br>Stakeholder Analysis<br>Bailit White Paper |
| *g.* | *Capital Investment and staffing* | |
| g.i | What capital investment is needed to implement the Exchange? | Financial Sustainability Options Analysis<br>Financial Functions Analysis<br>Bailit White Paper |
| g.ii | Where should the Exchange be housed (building, space?) | Senior State Leadership<br>Financial Functions Analysis<br>Financial Sustainability Options Analysis<br>Integration Opportunities<br>Bailit White Paper |
| g.iii | Are there other overhead items that must be purchased (e.g., furniture, phone system, computers)? | Financial Functions Analysis<br>Bailit White Paper |
| g.iv | What procurements are necessary under the Exchange and can the state leverage existing functions and standards? | Integration Opportunities<br>Financial Functions Analysis<br>Financial Sustainability Options Analysis<br>Bailit White Paper |
| g.v | What staffing patterns will best support the functions of the Exchange? | Integration Opportunities<br>Financial Functions Analysis<br>Senior State Leadership<br>Bailit White Paper |
| *h.* | *Financial Sustainability* | |
| h.i | What are the on-going operational costs of running the Exchange? | Financial Functions Analysis<br>Financial Sustainability Options Analysis<br>Bailit White Paper |

| 4. Business Operations | | |
|---|---|---|
| **#** | **Question** | **Expected Source** |
| h.ii | What options are there for funding the on-going operational activities of the Exchange, given language in the ACA? | Financial Functions Analysis<br>Financial Sustainability Options Analysis<br>Bailit White Paper |
| h.iii | What sources of funding are currently available? | Financial Functions Analysis<br>Financial Sustainability Options Analysis<br>Bailit White Paper |
| *i.* | *Legal Issues* | |
| i.i | To what extent will appeals rights need to be extended to individuals and businesses purchasing through the Exchange?<br><br>The legislation assumes individuals will have appeal rights through existing process, but further analysis would be helpful to determine if additional protections are needed. | State staff discussion<br>Stakeholder Analysis<br>Bailit White Paper |
| i.ii | How will appeals to individual mandate be handled? | State staff discussion<br>Stakeholder Analysis<br>Bailit White Paper |
| i.iii | What is the relationship between Exchange and ombudsman? | State staff discussion<br>Stakeholder Analysis<br>Bailit White Paper |
| *j.* | *Navigator and broker roles* | |
| j.i | Does the state have a vision of who will serve as the Navigator? | Senior State Leadership<br>Stakeholder Analysis<br>Integration Opportunities<br>Bailit White Paper |
| j.ii | Are there existing services that are similar? | Senior State Leadership<br>Stakeholder Analysis<br>Integration Opportunities<br>Bailit White Paper |
| j.iii | How does the state foresee the role of brokers? | Senior State Leadership<br>Current Insurance Market Study<br>Bailit White Paper |
| j.iv | Is the Navigator role different for outreaching to individuals and businesses? | Senior State Leadership<br>Stakeholder Analysis<br>Uninsured Study<br>Churning Assessment<br>Bailit White Paper |
| j.v | How does Navigator role get reimbursed? | Financial Sustainability Options Analysis<br>Bailit White Paper |

| 4. Business Operations | | |
|---|---|---|
| **#** | **Question** | **Expected Source** |
| j.vi | How are broker and navigator roles delineated? | Stakeholder Analysis<br>Bailit White Paper |
| j.vii | How will brokers get paid? | Financial Sustainability Options Analysis<br>Bailit White Paper |
| *k.* | *Reporting and Evaluation* | |
| k.i | How will Exchange monitor its performance? | Senior State Leadership<br>Stakeholder Analysis<br>Bailit White Paper |
| k.ii | Will there be the need for additional reporting requirements beyond what the federal government will require? | Senior State Leadership<br>Bailit White Paper |
| k.iii | How will the Exchange monitor quality as required in the ACA? | Senior State Leadership<br>Bailit White Paper |
| k.iv | Are there additional quality measures that VT wants to include beyond those dictated by CMS? | Senior State Leadership<br>Bailit White Paper |
| *l.* | *Optional Functions* | |
| l.i.1 | To provide "value added" for:<br>Employers – aggregator (e.g. determining, collecting and distributing premiums) | Stakeholder Analysis<br>Bailit White Paper |
| l.i.2 | Insurers – performing enrollment and perhaps other functions to assist insurers in achieving 80/85 MLR? | Current Insurance Market Study<br>Bailit White Paper |
| l.ii | Any indications from insurers/brokers how they would react? | Current Insurance Market Study<br>Bailit White Paper |

| 5. Interaction with Single Payer | | |
|---|---|---|
| **#** | **Question** | **Expected Source** |
| a. | Check each decision made in development of the Exchange against ability to work with the ultimate vision of a single-payer model. | Senior State Leadership and all areas of analysis |
| b. | Consider waivers of rules to allow for single-payer through the Exchange, sooner rather than later | Senior State Leadership and all areas of analysis |
| c. | Build Exchange assuming that all Vermont residents may eventually purchase through model. | Senior State Leadership and all areas of analysis |
| d. | Consider how rules will impact employers and decision of whether to remain in Vermont. | Senior State Leadership and all areas of analysis |

Descriptions for each of the sources noted in the above table are provided below.

Current Insurance Market Study – This study will assess the current insurance market in Vermont. Three data collection activities will be used to conduct this study as follows:

1. Obtain readily available information from BISCHA with regard to health insurers operating in different sectors of the health insurance market, their market share, and their financial performance;

2. Obtain data from the leading health insurers in the state regarding their current products portfolios and the distribution of their business across those products; and,

3. Interview leading health insurers regarding their products, their arrangements for paying providers, and their thoughts regarding the Exchange design and operation.

Stakeholder Analysis – This analysis will include results from focus groups with the uninsured and in-depth interviews with insurance producers, non-profit organizations, community-based organizations, and public health officials and advocates. It will also include a survey of the small employer community.

Financial Sustainability Options Analysis – This is the analysis of potential financing options necessary to support the financial sustainability of an Exchange, including expense categories that need to be considered in an Exchange budget, including mandatory and optional functions. This analysis will begin with high-level estimates of development and maintenance costs for performing functions directly by the State and by outsourcing such functions. After involving stakeholders and senior state leadership, a few options for financing will be further developed. It is anticipated that this process will help inform the Legislature and Governor in decision-making related to creating a preliminary Exchange infrastructure during the 2011-2012 Legislative session.

Uninsured Study – This study will include specific analyses to be conducted using the Vermont Household Surveys from 2005, 2008, and 2009.

Churning Assessment – This analysis will include an assessment of current and potential churning by analyzing administrative data collected by the state. Comparisons will be made to other states' churning rates to the extent possible. In addition, a consumer survey will be used to interview willing consumers by telephone. Key informant interviews will be used to identify additional issues and strategies for addressing churning. This analysis will identify steps and processes for mitigating the effects of churning. Strategies used by other states will also be considered.

Financial Functions Analysis - This analysis will include an assessment of each mandatory and optional finance related function which must be performed by the Exchange. An analysis of options for performing these functions, as well as estimated costs associated with performing these functions will be provided. The functions include developing accounting and auditing standards; collecting premiums; controlling for waste, fraud, and abuse; creating transparency and reporting mechanisms for the public; developing the technical infrastructure to comply with federal financial reporting requirements; billing for, collecting, and safeguarding premiums; reconciling tax credits and cost-sharing subsidies; selecting accounting systems, audit procedures, and internal controls; tracking administrative costs and revenue; and financial reporting to the federal government and to the public. Optional functions may include, but are

not limited to, aggregated billing to employers; consolidated payments to health plans (employee and employer share); payment to brokers/agents; performing other functions for employers; and implementing payment reforms.

Integration Opportunities – This analysis will consider opportunities for integration in outreach, eligibility processes, enrollment and disenrollment processes, and quality standards, with recommendations on how to most effectively integrate across programs, and where integration is not possible, how the State can disseminate information to appropriate Vermont populations.

Bailit White Papers – A series of white papers will be written by the Exchange contract team to address specific issues that arise during the planning process. Topics requiring a more in-depth analysis will be identified by senior state leadership.

Senior State Leadership – After discussions with stakeholders and review and analysis of available data, senior state leadership will consider options and make decisions on some of the Exchange features.

## IX. Meeting Plan

The following chart identifies the four key meetings of the State Exchange Advisory Committee that will be held between January 2011 and September 2011 as part of the Exchange Planning Process. In addition to these four formal meetings, the Exchange Planning process will engage state administrators, program operations personnel, and stakeholders throughout the design process to work through the best approaches to various Exchange related issues.

Bailit will produce a White Paper in advance of each of the scheduled Advisory Committee meetings that provides background on the topical area being discussed and which includes a discussion of options with recommendations included, as appropriate.

| **Overview of Exchange Advisory Committee Meetings** | | |
|---|---|---|
| **Topic** | **Meeting Description** | **Meeting Dates** |
| Basic Structure Design | This introductory meeting will provide an overview of the Exchange Benefit Design process. Discussion will include the Roadmap and Uninsured Study and a discussion of major structural issues for the Exchange as detailed in the Legislation. | March 7 |
| Interaction with Public Programs and the Insurance Market | This meeting will focus on the interaction of the Exchange with current Public Programs and the Insurance Market. Discussion will also include review of the Integration and Current Insurance Studies. Finally, there will be an introductory discussion of the mandatory and optional business functions for the Exchange. | March 21 |
| Business Operations | This meeting will focus on the following Exchange business operations: Marketing and Outreach, Enrollment, Website, Navigator, Appeals Rights. | April 4 |

| Overview of Exchange Advisory Committee Meetings | | |
|---|---|---|
| **Topic** | **Meeting Description** | **Meeting Dates** |
| Business Operations | This meeting will focus on the following Exchange business operations: procurement and certification of plans, interaction with employers, quality reporting and evaluation, and capitol investment. Discussion will also include preliminary options for financial sustainability and a review of the Stakeholder Study and Financial Functions Matrix. | April 25 |

## X. Exchange Design Planning and the Single Payer discussion

The federal Department of Health and Human Services lists the priorities of the state-operated Health Insurance Exchanges as:

- Promoting efficiency
- Avoiding adverse selection
- Providing streamlined access and continuity of care
- Providing public outreach and stakeholder involvement
- Ensuring public accountability and transparency
- Ensuring financial accountability

While these priorities can be optimally achieved in a single-payer environment there are a number of factors that need to be taken into account. The strategic advantages of a single-payer system in achieving the aforementioned Exchange priorities include:

- A single-payer model can promote efficiency by reducing administrative costs and fraud and abuse, and by increasing integration in the health care system, management structure and medical malpractice reform throughout the system. The Act 128 report estimated savings of between 16.1 and 25.3% depending on the specific single-payer model selected.
- Adverse selection is not an issue in a single-payer model as everyone is covered and participates in the same risk pool.
- Streamlined access and continuity of care is fully realized in a single-payer system as people never need to move out of one insurance plan and into another; the only element that changes as employment or income changes is how much an individual pays for insurance.
- Public outreach and engagement are made easier as well since messages do not have to be adapted to particular programs.
- Public accountability, transparency, and financial accountability can also be readily ensured since government oversees all components of the system.

In addition to fulfilling the identified priorities noted above, transitioning the Exchange into the single-payer environment can also facilitate the state's efforts around payment reform, consistent use of quality and performance metrics across state government, and the use of Accountable Care Organizations (ACOs).

However, establishing an Exchange that can perform the ACA functionality while simultaneously moving towards single-payer will be challenging. Challenges include the following:

- The IT systems necessary for both models are complex and different.
- The interaction with existing public state operated insurance programs must be planned for in each instance (e.g. The State Employee Health Plan and Medicaid).
- The federal approvals necessary are different for a state operated Exchange and a state single-payer system.
- The approach that the state chooses for the creation of the single payer is critical. The pending legislation envisions establishing the Exchange and then transforming the Exchange to the Single Payer Entity. Given that, our approach to the development of the Exchange will assume the need for such transformation.