

Office of Consumer Information and Insurance Oversight

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

Quarterly Project Reports

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State: Vermont

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

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Project Summary

Vermont issued a Request for Proposals for its first year on Exchange planning on October 4, 2010. Bailit Health Purchasing was the chosen vendor, and a contract with Bailit was signed on January 14, 2011.

DVHA has established an Exchange webpage on its website where contract deliverables, public meeting dates, and news items will be available to the public. The link to the webpage is <http://dvha.vermont.gov/administration/health-benefits-exchange>.

Work under the contract is proceeding according to schedule, as described below.

Core Areas

- **Background Research**

Uninsured and underinsured

Bailit, through its subcontractor Market Decisions, completed the analysis of the uninsured and underinsured using data from Vermont's 2009 Household Health Insurance Survey. Their final report was submitted to the State on March 3rd and can be found on DVHA's Exchange webpage: <http://dvha.vermont.gov/administration/hbe-uninsured-underinsured-report-03032011.pdf>.

Current insurance market

Work has been completed on the study of the current insurance market, and Bailit has submitted its final report, which can be found on DVHA's Exchange webpage: <http://dvha.vermont.gov/administration/hbe-insurance-market-report-final-06-28-11.pdf>

Bailit is working on a study of the impacts of merging the individual and small group markets.

Vermont is receiving a Robert Wood Johnson grant to complete a study of the advantages and disadvantages of allowing qualified health benefit plans to be sold to individuals and small groups both inside and outside the Vermont health benefit exchange, of allowing nonqualified health benefit plans that comply with the provisions of the Affordable Care Act to be sold to individuals and small groups outside the exchange, and the impact of the availability of supplemental insurance plans on offerings in the small and individual group markets.

Assessment of churning

The first draft of the churning analysis has been received, and revisions to that report are now being completed. DVHA supplied Bailit's subcontractor, the University of New England, with episodes of eligibility for Catamount Health premium assistance beneficiaries for four years, 2007-2010. UNE has also reviewed existing literature on the issue of churning and interviewed other states that have taken steps to mitigate its effects.

• **Stakeholder Involvement**

During the fall of 2010 representatives from the Department of Vermont Health Access (DVHA) and the Department of Banking, Insurance, Securities, and Health Care Administration (BISHCA) conducted 21 meetings with various stakeholder groups to solicit their initial recommendations and concerns about Exchange. In addition to the meetings this past fall, the new Governor's special health care assistant and the new commissioner of BISHCA had a series of informal meetings with stakeholders in late December of 2010 and January of 2011.

The State has appointed a formal Exchange Advisory Group, including representatives of consumer advocacy organizations, legislators, providers, brokers, and insurance associations. A list of Advisory Group members is available here:

<http://dvha.vermont.gov/administration/exchange-advisory-group>. Four meetings were held in March through June to present various Exchange topics. The first meeting, held on March 21st, focused on the Exchange planning process and on the uninsured/underinsured study.

The second advisory group meeting was held on April 4 and included presentations and discussions on the interaction of Medicaid and insurance on the Exchange, the Early Innovator grant, initial findings from the insurance market study, the Basic Health Plan option, and the essential health benefits. The meetings on May 9 and June 27 focused on the current insurance

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market, the functions of an Exchange, the Basic Health Plan, marketing and outreach, and the navigator function. Documents and PowerPoint presentations from all four meetings are available on the Exchange website.

A fifth advisory group meeting is scheduled for September 12, and the plan is to hold future advisory group meetings monthly or as needed throughout the remainder of the planning and implementation process. In addition, State representatives continue to meet informally with stakeholders on a regular basis on specific Exchange-related issues.

During July representatives from Bailit and DVHA met with several groups, including community organizations that provide outreach and application assistance, insurance carriers, and agents and brokers to obtain preliminary input on “lessons learned” from past rollouts of new health care initiatives. The purpose of these meetings was to lay groundwork for the development of an outreach and education plan for the Exchange.

The Bailit team completed a more formal stakeholder analysis with uninsured and underinsured consumers, small businesses, community and advocacy organizations, and insurance brokers/producers as part of the contract work. Reports summarizing their findings from each of the five groups are available on the website.

• Program Integration

Bailit completed a preliminary comparison of health care benefit programs across the public and private sectors, with the anticipated goal of aligning or standardizing benefit packages to minimize coverage disruptions and maximize care continuity. Bailit will also focus on tasks that will ensure integration among the Department of Vermont Health Access (the Medicaid and CHIP agency), the Department for Children and Families (the agency that determines Medicaid eligibility), the Department of Banking, Insurance, Securities, and Health Care Administration, and other agencies that administer health care programs. Bailit’s work will include:

- Review of current business processes, especially the eligibility determination process for Medicaid
- Determination of necessary changes to the business processes to support the Exchange
- Determination of roles and responsibilities of the Exchange and other agencies and a draft agreement among those agencies
- Development of strategies for limiting adverse selection
- Development of cost allocation of Exchange functions across agencies

A draft report on program integration opportunities is due in August.

• Resources & Capabilities

As part of the Exchange design and implementation plan, Bailit will determine what resources will be need to develop and operate the Exchange, and estimate the costs of those resources. As a preliminary step, Bailit completed an analysis of the current infrastructure in Vermont and how the Exchange could use or build on that infrastructure. A report on current infrastructure was delivered to the State on March 21st.

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The next step was for Bailit to develop a matrix of functions toward the eventual goal of identifying resource needs to develop and operate the Exchange. Bailit delivered the draft matrix document to the State on March 25th (document is available here:

<http://dvha.vermont.gov/administration/hbe-matrix-of-exchange-functions-3-25-2011.pdf>)

The final report is due in August.

- **Governance**

H.202, the authorizing legislation for Vermont's Exchange was signed into law in May (becoming Act 48). Act 48 establishes the Exchange as a division in the Department of Vermont Health Access, and creates a new state position, the Deputy Commissioner for the Exchange. The text of Act 48 can be found at <http://www.leg.state.vt.us/docs/2012/Acts/ACT048.pdf>, with the Exchange section beginning on page 54 of the act.

DVHA is now in the process of creating the Deputy Commissioner position, with the intent to begin recruitment this fall for an anticipated hire date of November 1.

- **Finance**

Bailit will produce a written assessment of each mandatory and potential finance-related function that must be performed by the Exchange, with a recommendation or set of options for performing these functions, as well as estimated costs associated with performing these functions. Such 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. Additional 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.

Bailit completed its review of the current financial infrastructure and has delivered a draft matrix of functions to the State. The final report on Exchange functions is due in August.

Bailit will also produce a written analysis of sustainable financing options for the Exchange, including a thorough discussion of the pros and cons of each option and a recommendation or recommendations for the best way for the Exchange to achieve financial sustainability as required by federal law. The final report on financial sustainability is due on September 1, 2011.

- **Technical Infrastructure**

In the late fall of 2010 Vermont entered into contract negotiations with a vendor to procure SOA-based infrastructure components on which a new eligibility system and MMIS will be built. A contract with the chosen vendor was put into place in January. The infrastructure components include an enterprise services bus, a workflow solution, an eMPI solution, a transformation hub/rules engine, and an identity administration and management solution. It is our intent to

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build into the new eligibility system the Exchange functionality, including the eligibility and verification process for Medicaid, CHIP, and the income tax credits.

Vermont plans to issue an implementation RFP in the fall of 2011 for the eligibility system, known as VIEWS (Vermont's Integrated Eligibility Workflow System). VIEWS is expected to be operational in mid-2013.

Vermont is a member of NESCIES, the New England States Collaborative Insurance Exchange Systems, led by the University of Massachusetts, who received an Innovator grant on behalf of the six New England states. The NESCIES participants are meeting regularly. UMass, through its contractor CGI, intends to have design documents completed by the end of the summer.

• Business Operations

DVHA, with help from Bailit, is developing a proposal for necessary staffing levels for the Exchange Division.

• Regulatory or Policy Actions

As stated above, Vermont's authorizing legislation was signed into law in May, 2011. BISHCA is working on an analysis of existing insurance market law and will introduce any necessary changes when the legislature reconvenes in January. DVHA, BISHCA, and the Agency of Administration are analyzing the Exchange NPRM.

Barriers, Lessons Learned, and Recommendations to the Program

None so far.

Technical Assistance

Draft Exchange Budget

Function	FFY 2011	FFY 2012	FFY 2013	FFY 2014
Exchange Personnel	\$200,000	\$600,000	\$1,000,000	\$1,500,000
Travel	\$20,000	\$20,000	\$20,000	\$20,000
Subcontract				
Assessments & Studies	\$380,000			
Marketing and Advertising			\$500,000	\$2,000,000
Web Design & Maint.			\$1,000,000	\$400,000
Consulting & Prof Supp	\$400,000	\$1,500,000	\$1,500,000	\$1,000,000

The figures for FFY 11 are those from the grant application. The estimates for FFY 12 through FFY 14 are our best estimates at this time; however, included in the work the Bailit team will be doing in this first year is developing an implementation plan and cost estimates for future years, so it is likely that these estimates will change significantly once that work is done.

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We are not currently far enough along in our planning process to provide estimates for the costs of IT, a call center, facility, or eligibility determination.

Work Plan

The Bailit team will be assisting Vermont in developing an implementation plan that will extend through January 1, 2014, and possibly beyond. The draft implementation plan is due on August 15, 2011, with the final plan following on September 15, 2011.

Milestones under each core area:

Background Research:

1) Methodology for completing the study of the uninsured and underinsured.

Due date: 1/31/2011 (*completed*)

Market Decisions LLC, a subcontractor for Bailit produced a script/questionnaire document according to schedule.

2) Final report on the uninsured/underinsured

Due date: 4/1/11 (*completed*)

3) Draft report on current insurance market

Due date: 2/28/11 (*completed*)

Bailit delivered its draft report on their assessment of the current insurance market in Vermont.

4) Final report on current insurance market

Due date: 4/8/11 (*completed*)

5) Report on merger of individual and small group markets

Due date: 7/31/11

6) Analysis of impacts of various options for market outside the Exchange

Due date: December, 2011 (tentative)

Stakeholder Involvement:

1) Proposed plan for obtaining stakeholder feedback

Due date: 1/31/2011 (*completed*)

Market Decisions will submit a plan for obtaining feedback from four groups: consumers, small businesses, insurance agents, and community/advocacy organizations

2) Exchange Advisory Group establishment

Due date: 1/31/2011 (*completed*)

An Exchange Advisory Group has been established and will meet approximately once per month throughout the planning process to provide feedback on contract deliverables or Exchange decision points.

3) First series of meetings with advisory group

Due date: 6/30/11 (*completed*)

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The first four meetings were held on March 21, April 4, May 9, and June 27.

4) Report on focus groups on the uninsured and underinsured

Due date: 4/30/11 (*completed*)

The uninsured focus groups have been completed.

5) Report on small business survey

Due date: 4/30/11 (*completed*)

6) Report on interviews with insurance agents/brokers

Due date: 4/30/11 (*completed*)

Program Integration:

1) Matrix comparing public program benefit designs with most common commercial plan designs

Due date: 2/28/2011 (*completed*)

This matrix includes public programs (Medicaid, the Vermont Health Access plan for adults, and Catamount Health) with the typical plans offered by the top three carriers in Vermont.

2) Proposed work plan for remaining integration tasks

Due date: 4/1/2011 (*completed*)

3) Comparison of current eligibility determination process and Exchange process; identification of changes needed

Due date: 8/31/11

4) Draft agreement between DVHA and insurance department on roles and responsibilities

Due date: 8/1/11

Some of the roles and responsibilities are assigned in Act 48, but others must be decided upon.

5) Draft agreement between DVHA and the Department for Children and Families (DCF) on roles and responsibilities

Due date: 8/1/11

Currently DCF is responsible for application processing and eligibility determination for Medicaid and health care expansion programs.

6) Report to legislature on plan to transfer health care eligibility staff and funds from DCF to DVHA

Due date: 1/15/12

Resources and Capabilities:

1) Roadmap for planning

Due date: 2/15/2011 (*completed*)

The Roadmap will be the strategic planning document for this first year of Exchange development.

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2) Draft report on current IT/financial infrastructure

Due date: 3/25/11 (*completed*)

3) Exchange design options analysis

Due date: 8/31/2011

This analysis will include recommendations on the staffing levels needed, outsourcing opportunities, role of navigators, and the role of the Exchange in forwarding public health and system reform strategies.

4) Final Exchange functions matrix with estimated costs

Due date: 8/31/11

5) Draft Level 1 Establishment grant application

Due date: 8/15/11

The grant application will ask for additional staffing resources for the Exchange Division in DVHA.

6) Submittal of Level 1 Establishment grant application

Due date: 9/23/11

Governance:

1) Stakeholder meetings to receive input on governance structure

Due date: Fall of 2010 (*completed*)

2) Review of literature on governance and information on decisions/considerations of other states

Due date: Summer of 2010 (*completed*)

Vermont has reviewed various documents outlining the pros and cons of various governance models, and has reviewed other states' decisions on governance.

3) Passage of authorizing legislation that establishes the governance structure

Due date: 5/15/11 (*completed*)

Act 48, signed into law in May 2011 establishes the Exchange as a division in DVHA under a Deputy Commissioner.

4) Establishment work group formation

Due date: 8/1/11

The State will appoint interdepartmental work groups to implement the Exchange. These work groups will consist of managers and staff from across state government.

5) Establishment of a central position to oversee all aspects of ACA and Act 48 implementation.

Due date: 8/1/11 (*completed*)

Robin Lunge was appointed to serve as Director of Health Care Reform and reports directly to the Secretary of Administration.

6) Creation of Exchange Deputy Commissioner position in DVHA

Due date: 11/1/11

Finance:

1) Preliminary description of current financial infrastructure

Due date: 2/28/2011 (*completed*)

This report provides a summary of existing financial infrastructure in Vermont to assess current state capacity.

2) Draft matrix of finance functions to be performed by the Exchange

Due date: 3/25/11 (*completed*)

This matrix lists the functions of the Exchange and identifies current State functions that could form the basis for some of the Exchange functions.

3) Final matrix of Exchange functions with estimated costs

Due date: 8/31/11

4) Draft Exchange financing options

Due date: 9/1/11

5) Analysis of costs/benefits of Basic Health Plan in Vermont

Due date: 9/1/11

6) Analysis of costs/benefits of merging the individual and small group markets

Due date: 8/1/11

Technical Infrastructure:

1) RFP for SOA-based infrastructure as foundation for new eligibility system

Due date: Fall of 2010 (*completed*)

As described above, this infrastructure will provide the platform on which the new eligibility system will be built. The new eligibility system, VIEWS, will contain Exchange functionality.

2) Contract with vendor to implement infrastructure

Due date: 1/31/11 (*completed*)

A contract with Accenture was signed in January.

3) SOA infrastructure implementation

Due date: 9/1/11

4) RFP for implementation of VIEWS

Due date: 4/1/2011 (*delayed: new due date is 9/30/11*)

The implementation vendor will develop the new eligibility system on the infrastructure platform. The RFP issuance was delayed due to Vermont's participation in the Early Innovator grant with the other NE states.

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5) RFP for a “portfolio” vendor who will provide strategic integration for all of Vermont’s current IT initiatives in the health care area. The contract will include completion of a gap analysis for Exchange IT development and implementation.

Due date: 7/15/11 (*completed*)

6) Contract award to gap analysis vendor

Due date: 8/15/11

Business Operations:

1) Initial findings and recommendations on Exchange design and implementation options

Due date: 7/15/2011 (*delayed due to Act 48, which decided some of the design questions*)

Findings will include pros and cons of different options and will address business operations, including staffing, contractual needs, and the role of navigators)

2) Decision on which department will complete rate reviews

Due date: 5/15/11 (*completed*)

Act 48 assigns this role to the insurance department, with final approval by the Green Mountain Care Board.

3) Decision on whether Vermont’s Exchange will be an active purchaser model or an open marketplace model

Due date: 5/15/11 (*completed*)

Act 48 defines the Exchange as an active purchaser that will limit the number of plans offered on the Exchange.

4) Draft written report on Exchange design

Due date: 7/31/2011

This draft report will be informed by the legislative process and provide more detail on Vermont’s recommended design.

5) Decision on staffing levels for Exchange Division in DVHA (Phase 1)

Due date: 9/1/11

6) Decision on resources needed in insurance department for planning the reinsurance and rate adjustment programs

Due date: 9/1/11

Regulatory or Policy Actions:

1) Introduction of authorizing legislation

Due date: February, 2011 (*completed*)

The intent of this legislation will be to set up the governance structure for the Exchange. More detail will be added during the 2012 legislative session.

2) Passage of legislation by House

Due date: 3/31/11 (*completed*)

3) Passage of legislation by Senate

Due date: 5/15/11 (*completed*)

4) Analysis of current insurance market statutes to identify needed changes

Due date: 9/30/11

Changes to current statutes will be introduced in January of 2012.

5) Analysis of NPRM for Exchange

Due date: 8/1/11

6) Provide HHS with comments on NPRM

Due date: 8/31/11

Collaborations/Partnerships

The Governor's office, the Department of Vermont Health Access (DVHA), and the Banking, Insurance, Securities, and Health Care Administration (BISHCA) are working closely together as the core planning team for the Exchange. During the first quarter of planning, core team members met with numerous stakeholders, including legislators, community/advocacy organizations, insurance carriers, business associations, provider associations, brokers and agents, mental health advocates, and other state agencies. These discussions have continued during subsequent quarters.

The primary Exchange planning grant contacts meet weekly with the planning contractor, Bailit Health Purchasing.

Exchange issues are discussed as needed at the weekly Agency of Human Services Commissioners' meeting.

Governor Shumlin has continued the Health Care Cabinet established by Executive Order by former Governor Douglas. The Cabinet meets once per month and includes the Commissioners/Directors of Vermont departments and agencies that have a role in the Affordable Care Act planning and implementation.

Vermont has established an Exchange Advisory Group that will meet as needed during the planning process to provide input on major decision points. The first series of these meetings began on March 21st and was completed on May 9th. Meetings will continue to be held on a monthly basis. The next meeting is scheduled for September 12th, at which the draft Exchange design will be presented.

Bailit is assisting DVHA in the development of Memoranda of Understanding with BISHCA and the Department for Children and Families that will describe the responsibilities of each department in carrying out Exchange functions.

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