

Office of Consumer Information and Insurance Oversight

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

Quarterly Project Report

Date: October 27, 2011

State: Vermont

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

Project Quarter Reporting Period: Quarter 4 (07/01/2011-09/30/2011)

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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. Vermont received approval for its request for a no-cost extension of the Exchange planning grant through March 31, 2012. A new contract with Bailit is being developed to complete additional tasks until the Level 1 Establishment grant is approved (Vermont submitted its application for a Level 1 Establishment grant on September 28, 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 has proceeded 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. A first draft of the report was submitted during the last week in September.

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 final report on the churn analysis and recommendations has been submitted and approved; the report is available on the Exchange website. 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 also reviewed existing literature on the issue of churning and interviewed other states that have taken steps to mitigate its effects. The final report did not reveal any surprises, and there appears to be no "silver bullet" that will eliminate the effects of churn, although there are some recommendations that might slightly reduce the negative impacts on families and the State.

• 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>.

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During the quarter of July through September, the Health Care Reform Director met with various stakeholder groups to discuss the Exchange. Below are the meetings that occurred this past quarter:

Aug 15: Senator Sanders' office
Aug 18: Brandon Rotary Club
Sep 13: Lake Champlain Chamber of Commerce
Sep 16: Fletcher Allen Health Care Grand Rounds
Sep 29: Northern Counties Health Care
Oct 5: Downs Rachlin & Martin seminar (law firm)
Oct 6: Vermont League of Cities & Towns

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.

The Exchange Advisory Group continues to meet regularly. The September meeting focused on possible models for the SHOP Exchange and the yet-to-be-submitted Level 1 Establishment grant application. The October meeting will include discussions on the grant application as submitted on September 28th, the Institute of Medicine report on Essential Health Benefits, and Vermont's proposed comments on the NPRMs.

• **Program Integration**

Bailit completed a 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 has also focused on tasks that will ensure integration among the Department of Vermont Health Access (the Medicaid and CHIP agency), the Department for Children and Families (DCF) (the agency that determines Medicaid eligibility), the Department of Banking, Insurance, Securities, and Health Care Administration (BISHCA), and other agencies that administer health care programs. Bailit's work has included a determination of roles and responsibilities of the Exchange and other agencies and a draft agreement among those agencies. MOUs between DVHA and DCF and between DVHA and BISHCA were developed as part of Bailit's work, and submitted with Vermont's Level 1 Establishment grant application.

Bailit's final report on program integration is available on the Exchange website.

• **Resources & Capabilities**

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As part of the Exchange design and implementation plan, Bailit has estimated what resources will be needed to develop and operate the Exchange, and the estimated 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.

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 matrix document to the State on March 25th. The final financial functions report was delivered in September. The report describes the major functions of the Exchange and estimates the development and implementation costs of each function.

The function matrix and final functions reports are available on the Exchange website:
<http://dvha.vermont.gov/administration/hbe-matrix-of-exchange-functions-3-25-2011.pdf>

• **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 has established the Deputy Commissioner position, and recruitment is underway for an anticipated hire date of November 1. DVHA has requested funding for additional positions in its Level 1 Establishment grant application.

• **Finance**

As described above, Bailit has produced a report that includes finance-related functions that must be performed by the Exchange, with estimated development and implementation costs for each function.

Based on the final financial functions report, Bailit submitted a draft analysis of sustainable financing options for the Exchange, including a thorough discussion of the pros and cons of each option. Based on a review of the report with State representatives, Bailit is working on a revised final report that will be shared with legislators and other stakeholders.

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

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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, will have design documents completed this fall.

Vermont had planned to issue an implementation RFP in the fall of 2011 for the eligibility system, known as VIEWS (Vermont's Integrated Eligibility Workflow System); however, this RFP has been delayed until early 2012 to allow time to review output from the NESCIES project. VIEWS is expected to be operational in mid-2013.

• Business Operations

DVHA, with help from Bailit, has developed a proposal for necessary staffing levels for the Exchange Division for FFY 12. The additional positions needed to develop the Exchange have been described in the Level 1 Establishment grant application. Vermont expects to revise this staffing plan when it submits its Level 2 Establishment grant application in 2012.

• 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 NPRMs, as well as the Medicaid eligibility NPRM and Treasury 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			
Travel	\$20,000			
Subcontract				
Assessments & Studies	\$380,000			
Marketing and Advertising				
Web Design & Maint.				
Consulting & Prof Supp	\$400,000			

The figures for FFY 11 are those from the grant application. The estimates for FFY 12 are described in detail in the Level 1 Establishment grant application.

Work Plan

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The Bailit team has worked with Vermont to develop a comprehensive work plan, which was submitted with the Level 1 Establishment grant application. Vermont will be refining that work plan over the next few months.

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) Draft report on merger of individual and small group markets

Due date: 9/30/11 (*completed*)

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

Due date: December, 2011 (tentative)

7) Final report on merger of individual and small group markets

Due date: 12/1/11

8) Final churn report

Due date: 9/1/11 (*completed*)

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.

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3) First series of meetings with advisory group

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

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*)

7) Report on interviews with community organizations

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

8) Round 2 of Advisory Group meetings

Due date: 11/30/11

The first meeting was held in September, with two more meetings scheduled in October and December. The September meeting focused on possible models for the SHOP Exchange, and the upcoming Level 1 Establishment grant application.

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 (*delayed—work has begun on mapping current eligibility processes*)

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

Due date: 8/1/11 (*MOU completed for FFY 12 Exchange tasks*)

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 (*MOU completed for FFY 12 Exchange tasks*)

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

7) Final MOU between DVHA and BISHCA

Due date: 9/30/11 (*completed*)

8) Final MOU between DVHA and DCF

Due date: 9/30/11 (*completed*)

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.

2) Draft report on current IT/financial infrastructure

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

3) Exchange design options analysis

Due date: 8/31/2011 (*delayed*)

4) Final Exchange functions matrix with estimated costs

Due date: 8/31/11 (*completed*)

5) Draft Level 1 Establishment grant application

Due date: 8/15/11 (*completed*)

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 (*completed*)

7) Preliminary job descriptions for new Exchange positions for 2012

Due date: 9/30/11 (*completed*)

8) Issue RFP for Level 1 Establishment vendor

Due date: 10/31/11

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*)

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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 (*completed*)

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

7) Appoint joint Medicaid/Exchange Advisory Committee

Due date: 7/1/12

8) Reorganize insurance department (BISHCA) and integrate with newly-formed Green Mountain Care Board

Due date: 1/1/12

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 (*completed*)

4) Draft Exchange financing options

Due date: 9/1/11 (*completed*)

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

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Due date: 9/1/11 (*completed*)

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

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

7) Final report on merging individual/small group markets

Due date: 11/30/11

8) Draft report on market impacts of allowing issuers to sell plans outside the Exchange

Due date: 12/1/11

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 (*delayed due to Irene flood damage*)

4) RFP for implementation of VIEWS

Due date: 4/1/2011 (*delayed: new due date is 3/31/12*)

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.

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 (*delayed due to contract problem*)

7) Gate review with RI/VT NESCIES project

Due date: 10/6/11 (*completed*)

8) Award of contract with Communications and Change Management vendor

Due date: 9/1/11 (*completed*)

Business Operations:

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- 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 (*completed*)
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 (*completed*)

- 6) Decision on resources needed in insurance department for planning the reinsurance and rate adjustment programs
Due date: 9/1/11 (*completed*)

- 7) Decision on whether eligibility function should remain in DCF or move to DVHA
Due date: 1/15/12

- 8) Decision on whether plan certification will occur in BISHCA or DVHA
Due date: 1/15/12

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*)

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4) Analysis of current insurance market statutes to identify needed changes
Due date: 9/30/11 (*Still in process—new due date 12/1/11*)
Changes to current statutes will be introduced in January of 2012.

5) Analysis of NPRMs for Exchange, Medicaid, and tax credits
Due date: 8/1/11 (*delayed until 10/31/11*)

6) Comments on NPRMs to HHS
Due date: 8/31/11 (*delayed until 10/31/11*)

7) Submission of reports required by Act 48 to legislature
Due date: 1/15/12

8) Introduce any new statutory changes needed
Due date: 2/1/12

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. Meetings are currently scheduled through November, 2011.

Bailit assisted DVHA in the development of Memoranda of Understanding with BISHCA and the Department for Children and Families that describe the responsibilities of each department in carrying out Exchange functions under the Level 1 Establishment grant.