

Cost Allocation Methodology – Information Technology Cost Items

The cost of information technology hardware and services to design, build and support the information technology solution for the Minnesota Exchange is estimated to be \$31,679,732 under the proposed Level One Establishment Grant. In addition, Medicaid would fund \$20,625,067, pursuant to the cost allocation methodology described below. The total information technology cost provided through these two sources would total \$52,304,799.

Minnesota has developed a preliminary estimate of Exchange users including estimates for Medicaid individuals, commercial individuals and small group market participants. Based on those estimates, for purposes of cost allocation, it is assumed that Medicaid enrollees will comprise of 67.31% of individuals and 56.91% of overall users. Of the seven Exchange Modules, Module 1 is assumed to benefit individuals and will be allocated at 67.31%, Module 2,4,5, and 7 is assumed to benefit all users and would be allocated at 56.91% and Module 3 and 6 will not benefit Medicaid and therefore will not be allocated to Medicaid.

The average across all Modules is 42.14%. Exchange IT development activities outside of the Module development including development and testing environments, supplies, rental space and other staff costs associated with internal IT staff will be allocated to Medicaid at the 42.14%.

As required under section IV.5.B.vi of the Cooperative Agreements to Support Establishment of State Operated Health Insurance Exchanges, Minnesota is proposing to cost allocate the IT systems work and other applicable costs per OMB Circular A-87 between the Exchange and the Medicaid program for those activities that will benefit Medicaid. Components under Cost Allocation referenced in the IT Guidance 2.0 are included in this proposal.

For this grant application, Minnesota has proposed an aggregate budget of \$52,304,799 in the Core Area of Technical Infrastructure. This budget request for Technical Infrastructure can be broken into seven parts:

1. Maintenance costs for the Individual Eligibility and Exemption Module and IT Business Analyst for the Individual Eligibility Program.
\$760,000
2. Maintenance costs for the Individual Enrollment, Health Benefit Plan and Navigator Certification and Display and Account Administration Modules.
\$1,689,500
3. Maintenance costs for the Small Employer Eligibility and Enrollment and the Fund Aggregation Module and IT Business Analyst for the SHOP program.
\$4,722,554
4. Contract costs IV&V, service configuration and integration, security assessment and contracted ASAP IT staff.
\$22,456,000
5. Salaries and fringe benefits and associated indirect costs for Exchange technical staff.
\$903,500

- 6. Equipment, supplies and other costs to support the project and technical staff including contract IT staff.
\$21,543,244
- 7. Maintenance costs for non-MAGI health care eligibility.
\$230,000

- a) Total Projected Costs \$52,304,799
- b) Exchange Level-One Establishment Grant \$31,679,732
- c) Enhanced Federal Medicaid Match: \$20,625,067
- d) Please note where the cost is via the Core Area: Technical Infrastructure

Estimated participation in Minnesota Health Insurance Exchange (Results from Background Research Actuarial and Economic Modeling by Dr. Jon Gruber of MIT and Bela Gorman of Gorman Actuarial)

Tax Credit Recipients	280,000
Enrollees in Firms Receiving Tax Credit	70,000
Non-Tax Credit Recipients in Reformed Individual Market	60,000
Enrollees in Firms > 50 not receiving Tax Credit	90,000
Enrollees in Firms 50-99	30,000
Public Insurance Enrollees	700,000
 Total	 1,230,000

Cost Allocation for Exchange Module Development

Minnesota is proposing to cost allocate IT costs as follows:

- Module 1 using the ratio of public enrollees to total individual enrollees (700,000/1,040,000 or 67.31%)
- Modules 2, 4, 5, and 7 using the ratio of public enrollees to total participants in the Exchange (700,000/1,230,000 or 56.91%)
- Other IT contracts for Integration of Modules, IV&V, Mobile Applications and other contracted staff use the average cost allocation ratio across the modules or 42.14% (see below)
- Other Exchange IT staff costs including salaries, rent, supplies, equipment, etc use the average cost allocation ratio across the modules or 42.14% (see below)

Module 1 – Individual Eligibility and Exemption	67.31%
Module 2 – Individual Enrollment	56.91%
Module 3 – Small Employer Eligibility and Enrollment	0%
Module 4 – Health Benefit Plan and Navigator Certification and Display	56.91%
Module 5 – Provider Display	56.91%
Module 6 – Fund Aggregation and Payment	0%
Module 7 – Account Administration	56.91%
 Average of Modules	 42.14%

- a) **Maintenance contract costs for the Individual Eligibility and Exemption Module and IT Business Analyst for the Individual Eligibility Program.**
\$760,000

This contract includes portions of the following components under Cost Allocation referenced in the IT Guidance 2.0: Health Care Coverage Portal, Business Rules Management and Operations Systems, Interfaces to Federal Data Services Hub, Interfaces to Other Verification Sources, and Notices.

- a) Total Projected Costs \$760,000
- b) Exchange Level-One Establishment Grant \$248,444
- c) Enhanced Federal Medicaid Match: \$511,556
- d) Please note where the cost is via the Core Area: Technical Infrastructure

As specified above, Minnesota has developed a preliminary estimate that 67.31% of individual users served by the Exchange will be Medicaid-eligible. The purpose of these contracts are for maintenance of the Individual Eligibility and Exemption Module to be used by individuals to determine eligibility to Medical Assistance and Tax Credits and business analyst IT support for the Individual Eligibility program for the IT build. As such, 67.31% of the contract costs will be allocated to Medicaid.

2. Maintenance for the Individual Enrollment, Health Benefit Plan and Navigator Certification and Display and Account Administration (Modules 2, 4, 5 and 7)
 \$1,689,500

This contract includes the following component under Cost Allocation referenced in the IT Guidance 2.0: Member Education, Selection, and Enrollment into Plans, and Account Creation and Case Notes.

- Total Projected Costs \$1,689,500
- a) Exchange Level-One Establishment Grant \$728,006
- b) Enhanced Federal Medicaid Match: \$961,494
- c) Please note where the cost is via the Core Area: Technical Infrastructure

As specified above Minnesota has developed a preliminary estimate that 56.91% of users served by the Exchange will be Medicaid-eligible. The purpose of this contract is maintenance of the Individual Enrollment, Health Benefit Plan and Navigator Certification and Display, Provider Display and Account Administration modules of the Exchange IT RFP to assist Medicaid and non-Medicaid Exchange participants in selecting and enrolling into health benefit plans that best suit their needs. As such, 56.91% of these contracted costs will be allocated to Medicaid.

3. Maintenance costs for Small Employer Eligibility and Enrollment and Fund Aggregation and Payment Modules, IT Business Analyst for SHOP and non-salary indirect costs
 \$4,722,554

- Total Projected Costs \$4,722,554
- a) Exchange Level-One Establishment Grant \$4,722,554
- b) Enhanced Federal Medicaid Match: \$0
- c) Please note where the cost is via the Core Area: Technical Infrastructure

Cost of these contracts and non-salary indirect will not be allocated to Medicaid since the Medicaid participant will not be provided any benefit to these activities.

4. Contract costs Change Orders, IV&V, service configuration and integration, security assessment and contracted ASAP IT staff

\$22,456,000

These contracts include the following components under Cost Allocation referenced in the IT Guidance 2.0: Health Care Coverage Portal, Business Rules Management and Operations Systems, Interfaces to Federal Data Services Hub, Interfaces to Other Verification Sources, Account Creation and Case Notes, Notices, Interfaces to Community Assisters or Other Outreach Organizations, Customer Service Technology Support, Communication with Plans and Member Education, Selection, and Enrollment into Plans.

a) Total Projected Costs	\$22,456,000
b) Exchange Level-One Establishment Grant	\$12,993,042
c) Enhanced Federal Medicaid Match:	\$9,462,958
d) Please note where the cost is via the Core Area	Technical Infrastructure

As specified above Minnesota has developed a preliminary average estimate that Medicaid enrollees will comprise 67.31% of individuals that benefit from Module 56.91% of users that benefit from Modules 2, 4, 5 and 7, and 0% of users that benefit from Modules 3 and 6. The average across all Modules is 42.12%. As such, 42.14% of these contract costs will be allocated to Medicaid.

5. Salaries, benefits, and associated indirect costs for salary for Technical Infrastructure staff
\$903,500

These costs for Exchange Technical Infrastructure staff include portions of the following components under Cost Allocation referenced in the IT Guidance 2.0: Health Care Coverage Portal, Business Rules Management and Operations Systems, Interfaces to Federal Data Services Hub, Interfaces to Other Verification Sources, Account Creation and Case Notes, Notices, Interfaces to Community Assisters or Other Outreach Organizations, Customer Service Technology Support, Communication with Plans and Member Education, Selection, and Enrollment into Plans.

Total Projected Costs	\$903,500
a) Exchange Level-One Establishment Grant	\$522,765
b) Enhanced Federal Medicaid Match:	\$380,735
c) Please note where the cost is via the Core Area	Technical Infrastructure

As specified above, Minnesota has developed a preliminary average estimate that Medicaid enrollees will comprise of 67.31% of individuals that benefit from Module 1, 56.91% of users that benefit from Modules 2, 4, 5 and 7, and 0% of users that benefit from Modules 3 and 6. The average across all Modules is 42.14%. This activity includes IT infrastructure staff to support the IT build of the Exchange. This percentage has been applied to 100% of the personnel cost. As such, 42.14% of costs will be allocated to Medicaid.

6. Equipment, supplies, and other associated costs for Technical Infrastructure staff
\$21,543,244

These costs for Exchange Technical Infrastructure staff include portions of the following components under Cost Allocation referenced in the IT Guidance 2.0: Health Care Coverage Portal, Business Rules Management and Operations Systems, Interfaces to Federal Data Services Hub, Interfaces to Other Verification Sources, Account Creation and Case Notes, Notices, Interfaces to Community Assisters or

Other Outreach Organizations, Customer Service Technology Support, Communication with Plans and Member Education, Selection, and Enrollment into Plans.

d) Total Projected Costs	\$21,543,244
e) Exchange Level-One Establishment Grant	\$12,464,921
f) Enhanced Federal Medicaid Match:	\$9,078,323
g) Please note where the cost is via the Core Area	Technical Infrastructure

As specified above, Minnesota has developed a preliminary average estimate that Medicaid enrollees will comprise of 67.31% of individuals that benefit from Module 1, 56.91% of users that benefit from Modules 2, 4, 5 and 7, and 0% of users that benefit from Modules 3 and 6. The average across all Modules is 42.14%. This percentage has been applied to 100% of the cost of these contracts. These activities include development and testing environments, supplies, rental space and other staff costs associated with internal IT staff. As such, 42.14% of will be allocated to Medicaid.

7. Maintenance contract for non-MAGI Medicaid eligibility
 \$230,000

This contract includes portions of the following components under Cost Allocation referenced in the IT Guidance 2.0: Health Care Coverage Portal, Business Rules Management and Operations Systems, Interfaces to Federal Data Services Hub, Interfaces to Other Verification Sources, and Notices.

a) Total Projected Costs	\$230,000
b) Exchange Level-One Establishment Grant	\$0
c) Enhanced Federal Medicaid Match:	\$230,000
d) Please note where the cost is via the Core Area:	Technical Infrastructure

The purpose of this contract is for maintenance of the non-MAGI Medicaid Eligibility functionality of the Exchange to be used by individuals to determine eligibility to Medical Assistance. As such, 100% of the contract costs will be allocated to Medicaid.