

Minnesota Project Narrative

A. Demonstration of Past Progress

Key Findings of Background Research

To understand the requirements, options, costs and coverage impacts of an Exchange, Minnesota entered into a contract with Dr. Jonathan Gruber and Gorman Actuarial in March 2011 with Exchange Planning Grant funds. Dr. Gruber and Gorman Actuarial used Minnesota-specific data and detailed data submitted by the Department of Human Services (Minnesota's Medicaid agency), private health insurers, and the Minnesota Comprehensive Health Association (Minnesota's high risk pool) on benefits, enrollment, premiums, and claims experience for economic and actuarial modeling. The purpose of the modeling was to project Exchange enrollment and estimate the impact of insurance market and public program changes. The analysis investigated how options such as the size of the small group market, merger of the individual and small group markets, and implementation of a Basic Health Plan versus Exchange premium tax credits impacts enrollment, premiums, and spending. Preliminary results were shared in September and October 2011 with the Medicaid agency, insurers, and Minnesota's high risk pool. These organizations submitted data for the analysis and were able to review the results for face validity and to recommend alternative assumptions for future modeling. The modeling analysis was completed in November 2011 and results were shared with stakeholders in a variety of settings including a public Exchange Advisory Task Force meeting and a Medicaid Summit that included a real-time webinar. Public feedback was incorporated from these public meetings in a final report that was released in April 2012. The modeling presentations and final report can be found on the Department of Commerce [website](#).

In March 2012, Minnesota extended contracts with Dr. Gruber and Bela Gorman to update existing modeling results as more up to date information becomes available. Data from 2011 is now being collected to inform an updated set of results that will be released this fall. This ongoing actuarial analysis and economic forecasting of risk mix and volume of individual, small group, and Medicaid enrollment will assist in estimating service and financing needs. This work is being conducted in collaboration with the Minnesota Departments of Human Services and Health.

Legal Authority and Governance

A request for use of Exchange Establishment Grant funds to plan and implement a Minnesota Health Insurance Exchange was included and authorized as part of Governor Dayton's biennial budget request to the 2011 Minnesota Legislature under Minnesota Statutes §3.3005. Level one funding was requested under this authority and granted in the amount of \$28,499,569 to hire a small initial Exchange team as full time staff within the Department of Commerce to work on the design and development of a Minnesota Health Insurance Exchange. On October 31, 2011, Governor Dayton issued an Executive Order directing the Commerce Commissioner, in partnership with the Minnesota Departments of Human Services and the Minnesota Department of Health, to "Design and develop a Minnesota health insurance exchange to ensure access to affordable, high-quality health coverage that maximizes consumer choice and minimizes adverse selection."

A Governance work group was created to provide technical assistance and information on options related to the permanent governance of a Minnesota Health Insurance Exchange. The Governance Work group met publicly in late November and early December 2011 and presented options for consideration by the Exchange Task Force in late December 2011. The Exchange Task Force included

recommendations related to the ongoing governance of the Exchange in their January 2012 [report](#), suggesting a public-private partnership model would best meet the goal of providing health insurance choices to individuals and businesses while also integrating public health care coverage, like Medicaid into the Exchange.

Until that public-private partnership is established, interim governance decisions are being made in a collaborative manner through multi-agency consultations and interagency working agreements (see section on Interagency Agreements and work groups), in coordination with the Advisory Task Force of stakeholders described below.

Stakeholder Consultation

Exchange Advisory Task Force

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

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

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

The Exchange Task Force released initial recommendations relating to avoiding adverse selection, ongoing financing, governance and navigators and agents/brokers in January 2012. A link to the report can be found on the Minnesota Department of Commerce [website](#). The Health Insurance Exchange Advisory Task Force continues monthly, public meetings to review and discuss ongoing issues related to Exchange design and development and the work groups' efforts.

Work Groups

In addition, the Commerce Commissioner has created a number of work groups to provide technical assistance on the design and development of a Minnesota Exchange. These work groups are comprised of a variety of stakeholders and are tasked with developing, discussing and providing technical assistance on options to the Commerce Commissioner through the Health Insurance Exchange Advisory

Task Force. Details on each of the work groups can be found on the Department of Commerce [website](#). There are numerous work groups which are:

- Adverse Selection and Encouraging Market Competition and Value (Includes Plan Certification Subgroup)
- Navigators and Agents/Brokers
- Governance
- Financing
- Tribal Consultation
- IT and Operations
- Individual Eligibility
- Small Employers and Employees
- Measurement and Reporting
- Outreach, Communications and Marketing

Marketing, Communications and Outreach

Minnesota has started developing and implementing strategies and work plans for communications, marketing and stakeholder outreach and engagement efforts to market the Exchange and educate Minnesotans about the Exchange. These activities include coordinating Exchange communications and outreach activities with the Minnesota Departments of Commerce, Human Services, and Health. Activities to date include:

- Updating the Department of Commerce website to include Exchange-related activity and a weekly listserv including upcoming meeting notices and other useful information for interested recipients.
- Regular presentations to stakeholder groups. To date, Exchange and Commerce staff have presented to over 70 groups representing a variety of constituencies, including business associations, community groups and health care professionals.
- Statewide town hall meetings are being planned for the late summer and fall, 2012. These forums will allow staff to educate consumers about the Exchange while at the same time serving as an opportunity to engage with consumers by gathering their ideas and suggestions for building an Exchange that answers their needs. The meetings will take place in rural, suburban and urban parts of Minnesota and a number will be streamed online and recorded.
- The Minnesota Exchange will have a booth at the upcoming Minnesota State Fair and will interact with the public and be available to answer questions.

In March 2012, Minnesota released an RFP for market research. The market research contract was signed in April, 2012. The public education and outreach market research was conducted by Salter Mitchell in three phases: key informant interviews, qualitative focus groups and quantitative surveys. In Phase One, Salter Mitchell performed in-depth individual interviews with key informants in business, health care, community outreach and insurance. For the second phase, qualitative research, 18 focus groups were conducted amongst business and consumer audiences in all six geographic districts of the state. Audience segments targeted to participate in the focus groups included the uninsured individuals, non-group purchasers, Hispanics, Medicaid enrollees and small business owners. In Phase Three, 797 consumers and 250 business owners were surveyed by phone. Results from this research are available on the Commerce Department [website](#).

Navigators and Agents/Brokers

Minnesota has created a Navigator, Agent and Broker work group that focuses on options for navigators, agents and brokers to assist individuals, small employers and employees seeking health insurance coverage through the Minnesota Health Insurance Exchange. The work group members consist of a broad selection of stakeholders including a consumer, small employer, health insurer, navigator, agents/broker, provider, county representative, tribal representative as well as state agency and legislative staff. In December 2011, the work group presented the Exchange Advisory Task Force a list of recommendation to ensure that consumers and businesses served by a Minnesota Exchange receive the necessary assistance to complete the application and enrollment process. The Exchange Advisory Task Force adopted the work group's proposed recommendations in their January 2012 meeting. This work group continues to meet to evaluate a variety of issues related to the development of Navigator, Agents and Brokers participation with the Minnesota Exchange.

Tribal Consultation

Minnesota has created a Tribal Consultation work group that consists of representatives from the Minnesota Departments of Commerce and Human Services and a number of Tribes throughout the state. Minnesota has tribal consultation policies signed by four of the Tribes with additional signed agreements with the other tribes expected over the next several months. In addition, tribal representatives participate as formal members of the Advisory Task Force and multiple work groups. The Fond du Lac tribe will host the Advisory Task Force in Cloquet, MN for its September meeting.

Customer Service

Minnesota is in the process of working with consultants to assess customer service functionality for the Exchange. This work includes an assessment of the functional customer service needs of the Exchange, documenting existing resources that can address some of these needs, drafting an RFI (request for information) to learn what marketplace resources are available to perform the needed services, and writing an RFP (request for proposals) to develop the structure. The Exchange staff is also collaborating with the Department of Human Services to assess how existing call center operations can be coordinated and integrated into the plan and includes efforts to incorporate the existing workforce to the greatest extent possible. The assessment is scheduled to begin in late summer of 2012, with an RFP to be issued in November of 2012.

Long –Term Operational Costs

Minnesota has developed work plans and structures to support the scope of financial activities of the Exchange. Grant management, procurement, financial management, and internal controls for the Exchange planning and establishment grants currently follow the State of Minnesota's financial and accounting process and procedures of the Departments of Management & Budget and Commerce.

A Finance work group has been created to provide technical assistance and information on options related to the ongoing financing of a Minnesota Health Insurance Exchange. The Finance Work group met in late November and early December 2011 and presented options for consideration by the Exchange Task Force in late December 2011. The Exchange Task Force included recommendations related to the ongoing financing of an Exchange in their January 2012 [report](#). Minnesota has also worked with Wakely consulting to develop budget estimates through 2014 that provide baseline budget estimates for ongoing operational costs. The Finance work group will meet this summer and fall and will use this information to continue to evaluate operational budget needs and make recommendations on ongoing financing mechanisms.

Program Integration

Interagency Agreements and Work Groups

Since August 2011, an interagency agreement has been signed and routinely updated between the Exchange at the Minnesota Department of Commerce and the Minnesota Department of Human Services that reflects joint department activity between the Exchange and the modernization of the Eligibility and Enrollment Systems at Department of Human Services. Specifically, the interagency agreement outlines: 1) the cost allocation methodology and billing and payment procedures for Medicaid activities; 2) collaborative efforts for Federal Reviews and APD processes; and 3) efforts for a joint RFP for Independent Verification and Validation. Finally, the agreement creates an interagency steering committee to develop work plans for program integration strategies for eligibility determination and verification, enrollment, account management, and other program integration issues between the Exchange and the Medicaid program.

In addition, the Minnesota Departments of Health and Commerce are in the process of modifying an existing interagency agreement to reflect the respective roles of the two agencies in the Qualified Health Plan (QHP) certification, recertification and decertification process. The Minnesota Departments of Commerce and Health are also developing an interagency agreement defining the scope of collaboration between the two agencies on the potential development of risk adjustment methodology, the exploration of the use of the state's All Payer Claims Database for the purposes of risk adjustment, the development of an evaluation framework for assessing the Exchange and related changes to Minnesota's health insurance market, and the display of health care provider information (including provider peer grouping and quality data) through the Exchange. An interagency work group, facilitated by Exchange staff and composed of staff from the Departments of Health and Commerce meets regularly to outline duties, process flows and responsibilities.

Minnesota has also created a number of interagency work groups in a matrixed structure to coordinate Exchange efforts with multiple state agencies including the Departments of Commerce, Human Services, Health, Management and Budget and Minnesota IT Services. These work groups work on a variety of areas to make the functionalities of the Exchange as coordinated, streamlined, and cost-effective as possible. Over 200 people at the various agencies are engaged in these interagency work groups related to Exchange functionality. Some examples of this work include streamlined eligibility determination between the Exchange and our Medicaid agency, a single regulatory process for Qualified Health Plan certification that includes regulatory responsibilities by the Departments of Commerce and Health, and a single data collection mechanism for provider network information for the Exchange, Medicaid agency, and the Department of Health.

Business Operations of the Exchange

Minnesota has developed and will continue to modify and update detailed work plans, timelines and budget estimates through 2014 on a routine basis related to business operations and Exchange functions. This work will be conducted with the advice and technical assistance of the Exchange Advisory Task Force and technical work groups.

Plan Management

In Minnesota, the Commissioner of Commerce has statutory authority to enforce Minnesota's insurance laws and the Commissioner of Health has authority over HMOs. To avoid duplication of regulatory responsibilities and to capitalize on existing regulatory expertise, the certification process should be

conducted by the existing regulatory structures within the Departments of Commerce and Health. The Departments of Commerce and Health have established an interagency agreement to help clarify the respective duties of these departments related to health maintenance organizations and county-based purchasing organizations. This existing interagency agreement is in the process of being modified to reflect the respective roles of the two agencies in the Qualified Health Plan (QHP) certification, recertification and decertification process. An interagency work group, facilitated by Exchange staff and composed of reviewers from Health and Commerce, meets regularly to outline duties, process flows and responsibilities. That work will be informed by the recommendations from the Exchange Advisory Task Force on what should be the relevant criteria to apply to QHPs. These process flows will be facilitated by the State Electronic Rate and Form Filing (SERFF) system.

Quality

On July 9, 2012 the Minnesota Department of Commerce issued a request for proposals to develop an Exchange quality rating system and an enrollee satisfaction survey system for insurers and qualified health plans (QHPs). The contractor will work collaboratively with the Department of Commerce, other state agencies, and additional stakeholder groups throughout the development of the methodology. Responses were due to the Department on August 6 and work is proposed to start after September 3, 2012.

As noted previously, Minnesota has also created a Measurement and Reporting work group that was designed to focus on options for the reporting of cost, quality and satisfaction for health insurers, benefit plans and providers through a Minnesota Health Insurance Exchange. The group consists of consumer, small and large employer, health insurer and provider (physician clinics and hospitals) representatives as well as agency staff and measurement and reporting experts.

Financial Management

Minnesota follows legally prescribed procurement policies and procedures and as such has executed contractual and outsourcing agreements with vendors and other State and Federal agencies in compliance with State and Federal law. Legal counsel is involved in all contracts and agreements to ensure full compliance with State and Federal law. Exchange staff is working with the Department of Commerce Internal Controls director to perform initial assessment on internal controls and develop compliance procedures for the Exchange. Exchange staff is also coordinating with the Department of Human Services to develop controls and compliance for the proper allocation and uses of Medicaid funding.

Exchange staff have worked with the Commerce Department Chief Financial Officer to identify finance, accounting and financial grant management roles and responsibilities between the Exchange and Commerce Financial Management. This includes federal financial reporting, budgeting, procurement, invoice approval and processing and cost allocation implementation. Cost allocation implementation is based on a cost allocation methodology, which has been approved via the grant application and in coordination with the Department of Human Services and CMS APD process.

In addition to work internal to the Department of Commerce, the Exchange has established an interagency work group with the Minnesota Management and Budget agency to facilitate coordination between the Exchange and Minnesota Management and Budget, particularly focused on banking issues. As part of this effort, the Exchange is participating in a statewide RFP for an e-payment partner. Exchange staff also work regularly with staff at the Minnesota Department of Human Services and are currently discussing the possible use of an established receipt center for checks and cash.

Eligibility and Enrollment

Documentation of eligibility policy requirements for Insurance Affordability Programs started in July 2011 and is ongoing. The Exchange has leveraged existing subject matter experts and policy expertise at the Department of Human Services in the initial documentation of the Insurance Affordability Programs (IAP) eligibility policy requirements. This effort was initiated in July, 2011 and staff continue to analyze and document IAP eligibility policy to identify and resolve policy gaps and to escalate policy issues for decisions as needed.

The Exchange and Department of Human Services have established an Exchange/Medicaid Collaboration Steering Committee to facilitate project decision making. This group addresses project decisions that intersect between the Exchange and Medicaid. Within this steering committee structure is an interagency Eligibility and Enrollment work group. This work group is focused on business functionality activities necessary to support the determination of Insurance Affordability Programs as well as cost sharing reductions, Individual Mandate exemptions and eligibility to participate in enrollment into QHPs through the Exchange. This work group will interface with the Exchange IT vendor to ensure all project activities necessary to support the eligibility and enrollment functions.

Design Reviews

To date, Minnesota has completed three establishment reviews that are part of the Federal Enterprise Life Cycle Design Review process for Exchange IT Infrastructure. These reviews were conducted jointly with the Exchange and our Medicaid agency to facilitate a streamlined review process with CCIIO for gate reviews and CMS for the APD process.

- (1) Architecture and (2) Project Baseline review, November 2011: This meeting included discussions about Minnesota's modular IT development strategy, IT RFP status update, project management, development lifecycle, design considerations, current and proposed systems and performance measures.
- (3) Design Review, May 2012: This two-day meeting covered a wide range of topics including governance, organizational structure, project management, plan management and quality, eligibility and enrollment, SHOP, risk adjustment and reinsurance, re-use and interoperability, consumer and stakeholder engagement, financial management, finance and accounting, systems design, security and contingency.

IT Gap Analysis and Exchange IT Systems

On July 16, 2012, Minnesota announced the execution of a \$41 million dollar contract with Maximus, Inc. to design and develop the technical capabilities, including a consumer friendly website, for Minnesota's health insurance exchange and Medicaid systems modernization. The contract with Maximus covers the development of technology supporting various functions that a health insurance exchange needs to perform. Those functions include individual eligibility determination and enrollment, small employer eligibility and enrollment, certification and display of health benefit plan options and costs, navigator and agent/broker listing, display of health care provider information, premium aggregation and payment and account administration. Further, a State-mandated project risk analysis was conducted and a Risk Management Plan developed. The plan is managed in coordination with the State Project Management Office.

The contract also includes major technology improvements to Minnesota's Medicaid systems to provide streamlined eligibility determinations, to enhance customer service and case management capacity, and to promote ongoing program integrity. In addition, the new technology system will allow the

Department of Health to provide quality information on quality measures and provider peer grouping. Finally, the technology will help the Departments of Health and Commerce to fulfill their roles as the certifier of Qualified Health Plans.

This contract covers the development of technology supporting various functions for a Minnesota-made health insurance exchange:

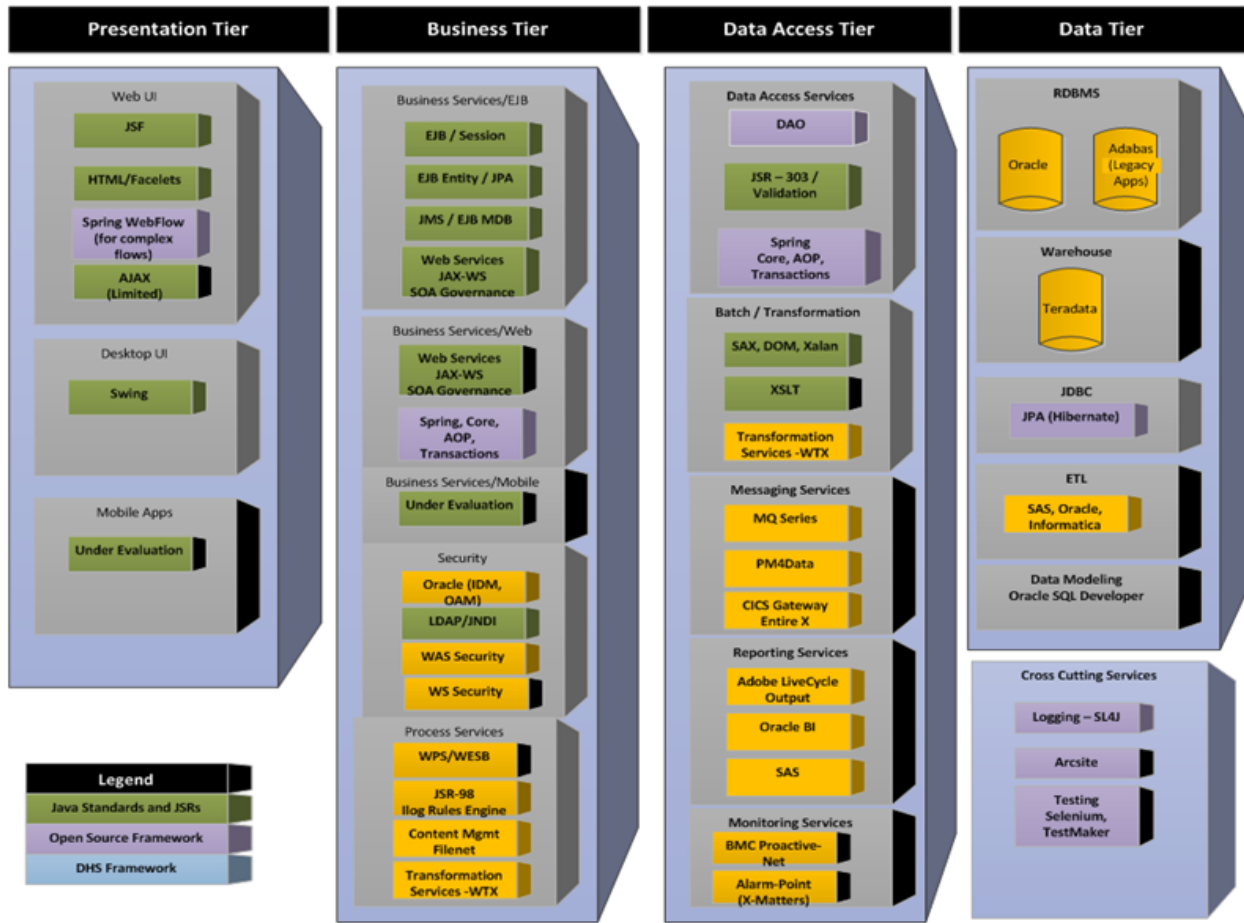
- individual eligibility determination and enrollment in health plans
- small employer and employee choice of health plan options
- certification and display of health benefit plan options, quality, and costs
- agent/broker and navigator listing to provide customer assistance
- display of health care provider information
- premium payment and aggregation
- account administration

The signing of the contract comes after a year-long process. A Request for Proposals was issued in June 2011 for prototypes to evaluate technical options and costs for an Exchange. The RFP was a two-stage “proof of concept” approach. Stage II vendors for the IT RFP were selected in October 2011 and awarded stipends to create prototypes and detailed cost, work plan and timeline proposals. In December 2011, sample modules from vendors seeking to build the IT infrastructure for the Exchange were made available to the public. Public feedback was documented and used in the evaluation assessment of the vendor’s proposal.

IT GAP Analysis

The original Exchange gap analysis of June 2011 was updated in January and May of 2012. Since May, planning with the vendors has been conducted to address the infrastructure gap. An opportunity to leverage extension of existing infrastructure in a MN.IT data center has been identified. That environment is depicted here as representative of the projected technical infrastructure base.

Enterprise MN.IT Standards, Systems, Tools, & Development Frameworks Within Tiers



Other changes that have occurred are listed below:

The Minnesota Department of Human Services Since the original gap analysis, the Department has issued a Planning Advanced Planning Document (PAPD) for the DHS Enterprise Systems Modernization Strategy. The PAPD focuses on: 1) planning efforts to improve and update the IT systems that handle Eligibility and Enrollment; 2) conducting a gap analysis to insure that all systems impacted by the ACA rules are appropriately modified; and 3) planning for an Integrated Human Services Delivery system. The Department has also issued an Implementation Advanced Planning Document (IAPD) for the coordination of Medicaid activities with the Minnesota Exchange, focusing on determining eligibility for Minnesota health care programs through a single set of processes using a single system. There has also been some updating of the IAPD (via IAPDU) to account for modified budget activities.

The planning efforts are being conducted in conjunction with the Exchange planning and related design reviews. Coordination of health care program eligibility determination, the first step in the Department of Human Services modernization efforts is targeted for the third quarter of 2012.

The Minnesota Department of Commerce The Department of Commerce has been working with the National Association of Insurance Commissioners (NAIC), along with other states, on SERFF system

modifications for regulatory processing. Efforts are also underway to study Vertafore's SIRCON tool for broker registration.

The Minnesota Department of Health Efforts continue to incorporate quality information produced by the Department with data being displayed by the Exchange to end users.

The Minnesota Health Insurance Exchange: The first environment installations are targeted for the fall of 2012 and will consist of development and testing environments. These systems will be coordinated between the Exchange, Department of Human Services, and Maximus as the vendor providing the Exchange Solution. Efforts also continue to evaluate the new infrastructure required to produce the Exchange Solution by Maximus. These efforts will be completed by the third quarter of 2012.

Establishment Reviews

To date, Minnesota has completed three establishment reviews that are part of the Federal Enterprise Life Cycle Design Review process for Exchange IT Infrastructure:

- (1) Combined Architecture and (2) Project Baseline Review, November 2011: this meeting included discussions about Minnesota's modular IT development strategy, IT RFP status update, project management, development lifecycle, design considerations, current and proposed systems and performance measures.
- (3) Design Review, May 2012: this two-day meeting covered a wide range of topics including governance, organizational structure, project management, plan management and quality, eligibility and enrollment, SHOP, risk adjustment and reinsurance, re-use and interoperability, consumer and stakeholder engagement, financial management, finance and accounting, systems design, security and contingency.

All reviews were done collaboratively with the Minnesota Department of Human Services and MN.IT and were coordinated with submission of a PAPD/IAPD for the Enterprise Systems Modernization Strategy for the MAGI Medicaid portion of eligibility and enrollment. The joint reviews were conducted to describe Minnesota's Exchange IT infrastructure vision and explain the seamless coordination and integration between the Exchange and Medicaid.

Coordination

Because of a number of similarities in the technical design of Exchanges, Minnesota is working very closely with the State of Maryland to coordinate efforts. This will prove to be a valuable exercise in collaboration that will allow both states to learn from each other and to avoid duplication of efforts.

Minnesota has been asked to participate in Early Innovator sub-workgroups that convene regularly to discuss technical topics related to establishing an Exchange. These work groups cover such topics as connection and interaction with the Federal Services Hub, creation and execution of test scenarios of business processes within an Exchange, support and ideas that can be shared amongst the States, Exchange systems and related security, and activities related to health plan display and or selection by users.

Minnesota has also elected to participate in the UX 2014 project, sponsored by the California HealthCare Foundation and several other national and state health care philanthropies. The project focuses on researching components of a "best-in-class" user experience for an Exchange. Related to UX2014, Minnesota is also participating in the Consumer Decision Support Rules for Health Exchanges (consumer choice) which is sponsored by the Pacific Business Group on Health (PBGH).

Reuse, Sharing and Collaboration

Minnesota is focused on collaborating and sharing with other states and the federal government as much as possible. For example, Minnesota staff participate in a number of federal user groups to provide feedback and exchange information, including:

- CMS State/Federal Application work group
- Coverage Expansion Learning Collaborative
- Monthly Exchange Communicators
- Federal Data Services Hub Technical Work group
- Test Scenario Work group
- Early Innovator Learning Collaborative
- State Exchange System Security Group
- Health Plan Work group

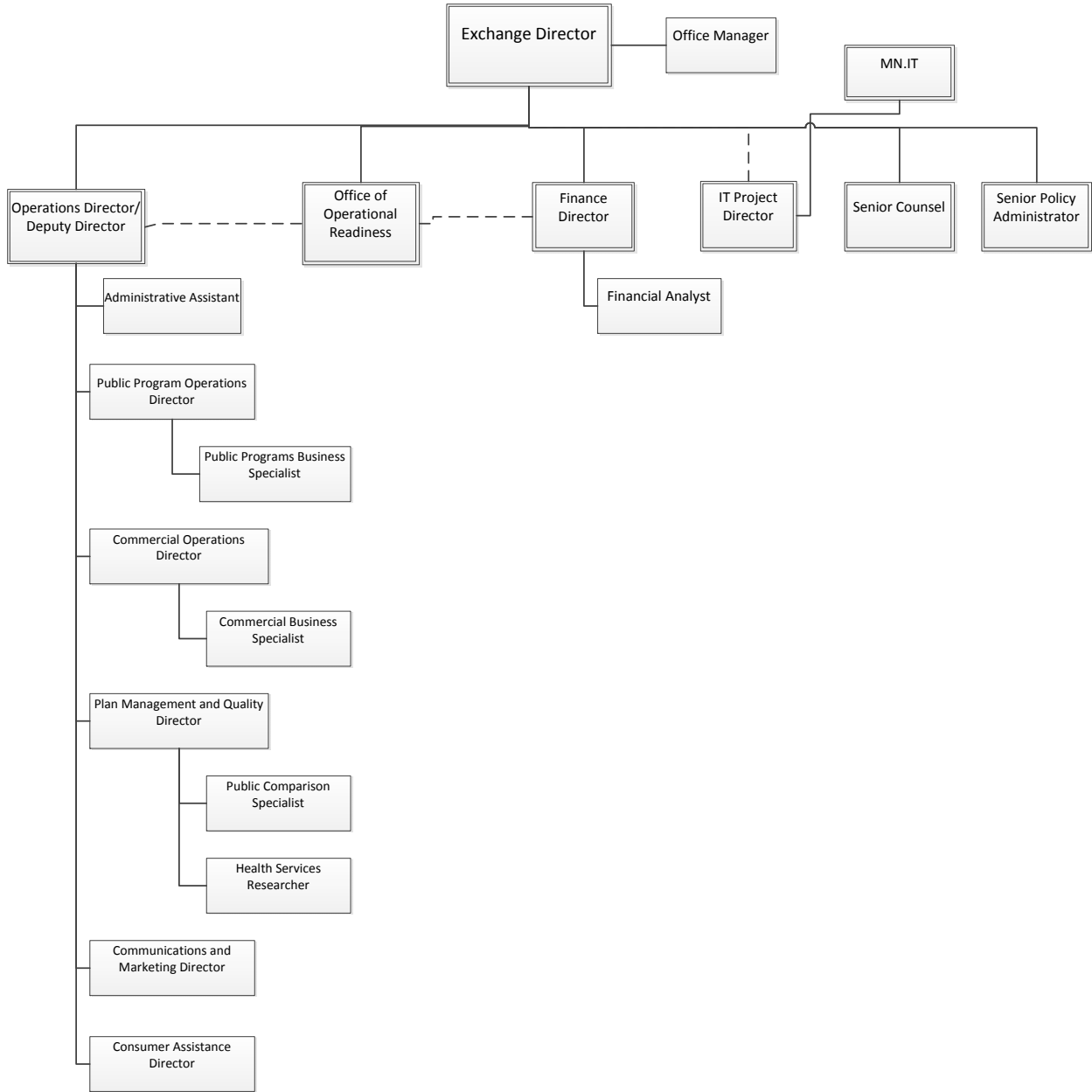
Minnesota participates in a number of other forums that facilitate state collaboration including State Refor(u)m, UX2014, Exchangers, RWJF State Network, Pacific Business Group on Health and Consumers Union. Minnesota also regularly shares documents that might be of value to other states on CALT.

Minnesota has engaged in various forms of information gathering and sharing with a number of other states, including Washington, Massachusetts, Utah, Oregon, Maryland and Rhode Island, on a variety of topic areas including communications and marketing, project management, plan management, SHOP, customer service, grant management, financial operations and provider network data collection. Specifically, Minnesota is working very closely with the state of Maryland to coordinate efforts on the design and development of the technical infrastructure of the Exchange.

Organizational Structure

In the aforementioned Executive Order signed by Governor Dayton, the Commissioner of Commerce was directed to work with the Department of Human Services and the Department of Health to “design and develop a Minnesota health insurance exchange.” Accordingly, Exchange design and development activities have taken place through multi-agency collaborative agreements.

In our first level one grant award, Minnesota requested funds to hire senior level leadership to provide management and strategic direction for Exchange activities. In our second level one grant request, Minnesota requested additional funds to hire additional staff to develop and document business requirements, processes, and work flows for Exchange functional components. See the below existing organizational chart:



Program Integrity

Exchange staff have worked with the Department of Commerce Program Integrity Office to establish a Program Integrity Framework for the Exchange. Within this coordinated effort, the Exchange will be using the COSO framework approach to program integrity. This will include creating a control environment, risk assessment, control activities, information and communication systems and monitoring process. Exchange staff will also work with the Office of the Inspector General at the Department of Human Services to ensure that all Medicaid-related program integrity requirements are fully met. Risk mitigation strategies will be developed for ensuring financial integrity, oversight and prevention of fraud and abuse. These activities will ensure compliance with all federal reporting requirements and quality controls. Exchange staff will also coordinate with the Department of Human Services and the State Project Management Office in identifying, studying and planning appropriate risk mitigation strategies.

Minnesota also worked with Wakely Consulting Group to draft an Internal Controls Blueprint related to Exchange design and development activities. The Blueprint provided a number of recommendations regarding best practices in designing and developing an internal control system to prevent and detect fraud, waste and abuse in a state-based Exchange. In the Blueprint, Wakely Consulting Group looked at ACA and other health care related laws and identified private market best practices in designing and developing a system of internal control.

In addition, as one of the interagency coordinating working groups, Minnesota has created an Operations and Systems group that will consider a number of operational issues including privacy and security policies. This group consists of members of various state agencies and provides recommendations on appropriate action items to the Exchange/Medicaid Collaboration Steering Committee.

Affordable Care Act Requirements

The Minnesota Departments of Health and Commerce have worked together collaboratively to implement ACA provisions related to health insurance market reforms and rate review. The Minnesota Department of Commerce was already conducting rate reviews prior to passage of the ACA and has updated its practices to align with federal requirements. For example, the Department of Commerce has made ACA rate increase justifications accessible on its [website](#). The Minnesota Departments of Commerce and Health have also incorporated other market reforms enacted to date into their regulatory practices and have communicated with carriers about these reforms through bulletins. For example, this bulletin was issued in June of 2010 to inform insurers of how to bring their products in line with ACA market reforms effective in September 2010 (see <http://mn.gov/commerce/insurance/images/Bulletin2010-02.pdf>). Another bulletin is planned for the fall of 2012 pertaining to Affordable Care Act and Exchange requirements effective in 2014.

SHOP

Minnesota has a number of sources of data on the small group insurance market. They include the bi-annual Health Access Survey conducted by the Minnesota Department of Health, the analysis done by Gruber-Gorman and the results of the Salter-Mitchell market research survey noted previously.

Minnesota has convened a Small Employer and Employees work group composed of small employers, brokers, insurers, consultants, unions and consumer representatives. The work group will provide technical assistance and information on the options related to coverage choices, services, processes and assistance for small employers and employees through a Minnesota Exchange. The work group has examined a number of issues including SHOP requirements, the current small group market in Minnesota, premium calculator requirements, integration of tax-advantaged vehicles in SHOP and potential additional services the Exchange can offer to employers. The work group has met a number of times to date and will continue to meet through the middle of next year.

Lastly, the Exchange has included a number of functional requirements in the recently signed IT contract focusing on the small group insurance market, including requirements that are intended to facilitate a streamlined enrollment, plan selection and payment process. Functionalities include support for employer and employee choice enrollment models, payment aggregation and integration with broker/navigator support.

B. Proposal to Meet Program Requirements

Current Pathway

Minnesota plans on establishing a State Based Exchange to be ready for open enrollment in the fall of 2013, including a consumer-friendly website portal with fully functioning eligibility and enrollment capabilities, operational call center, SHOP Exchange, premium aggregation services, an established broker/navigator program, available and consumer-friendly health plan comparison information including quality and AV calculator, operational account management functionalities and accompanying marketing and outreach activities. As noted previously, Minnesota has completed three design reviews to date and is working diligently to be on track for Blueprint approval later this year.

Strategy to Complete Exchange Activities

Minnesota plans on establishing a State Based Exchange fully operational for open enrollment in fall 2013. In planning for this goal, Minnesota has created a number of strategies in order to be ready to operate, below are descriptions of each activity area as referenced in Appendix A of the FOA:

Legal Authority and Governance: Minnesota is working within the previously mentioned budget authority granted during the 2011 Legislative Session and the October 2011 Executive Order issued by Governor Dayton directing the Commerce Commissioner to work with the Department of Human Services and the Department of Health to “Design and develop a Minnesota health insurance exchange to ensure access to affordable, high-quality health coverage that maximizes consumer choice and minimizes adverse selection.”

Consumer and Stakeholder Engagement and Support: Minnesota is committed to developing a Minnesota Exchange that is informed by a variety of stakeholders throughout the process. To that end, Minnesota has created an Advisory Task Force and numerous technical work groups that are all open to the public, to gather input from the public. In addition, Minnesota has issued a variety of communications and Requests for Comment to provide information and solicit feedback on proposed rules and guidance and inform the official State responses to HHS. Minnesota is also committed to designing and developing a strategy to engage and inform the public on Exchange activities, provide multiple avenues for assistance, and engage business partners. Minnesota is requesting grant resources for staff related to customer services, communications and outreach and business development.

Eligibility and Enrollment: Minnesota is committed to the “no wrong door” streamlined eligibility and enrollment philosophy through all elements of Exchange design activities to ensure that all consumers have the same experience regardless of their coverage type. Minnesota Exchange activities are occurring in close collaboration with the Minnesota Department of Human Services and MN.IT on efforts related to Medicaid and Advanced Premium Tax Credit eligibility. Minnesota is requesting grant funding for staff related to eligibility determination and enrollment activities.

Plan Management: Minnesota is focusing on updating existing state plan management systems at the Minnesota Departments of Commerce and Health to meet the requirements of the ACA. Minnesota will use existing regulatory entities for plan certification and the SERFF system for the plan certification process. Stakeholders are being regularly engaged in these activities through work groups, carrier meetings, and regular public communications. Minnesota is requesting grant resources for staff related to plan management and measurement, staff augmentation for regulatory services at the Departments of Commerce and Health and contractual costs for consumer testing of cost/quality measures, quality

rating system development, evaluation framework development, SERFF development, and policy forms analysis.

Risk Adjustment and Reinsurance: The Minnesota Health Insurance Exchange Advisory Task Force has adopted a recommendation from the work group that given the temporary (three-year) nature of the reinsurance program and the lack of entities available to perform these services, it makes more sense for the federal government to operate a reinsurance program on the state's behalf rather than expend the state's time, effort and funding on a state-based reinsurance program

The Exchange Task Force is still considering a recommendation from the Adverse Selection work group regarding whether to develop a state-based risk adjustment methodology. The work group generally agreed that without legal authority to use the state's all payer claims database for this purpose, the effort required to develop a state-based approach exceeds the potential benefits of a Minnesota-specific risk adjustment methodology. The disadvantage of not pursuing a state-based approach is that the state would lose the opportunity for risk adjustment to work as well as it can given Minnesota's unique characteristics, especially in the first year or two of Exchange operation when adverse selection may be more of an issue. The work group also recommended that the state should work towards developing a state-based risk adjustment methodology so that it can be implemented quickly in the future, if desired. Funding for this Exchange activity is not included as part of this current grant request, but may be requested in the future.

SHOP: Minnesota is committed to creating a SHOP that provides valuable services to small employers in Minnesota. Current efforts include working closely with vendors on the IT design and build of this component. Stakeholders are also being consulted through a number of mechanisms to ensure full engagement, including the Small Employer and Employees work group and Health Insurance Exchange Advisory Task Force. Minnesota is requesting grant funds for staffing for small employer eligibility and enrollment.

Organization and Human Resources: Minnesota Exchange design and development activities are being led by the Minnesota Department of Commerce. As such, the Exchange is able to utilize existing state processes and procedures. Minnesota is also committed to creating an Exchange that works for all Minnesotans and as such is coordinating with other state agencies to the greatest extent possible. Minnesota is requesting grant funding for Exchange staff and contract costs related to evaluation of the Exchange on the Minnesota market.

Finance and Accounting: Because Minnesota development and design activities are proceeding within the Minnesota Department of Commerce, Minnesota Exchange activities are able to utilize existing state resources and grant monitoring processes and procedures. These efforts are ongoing and updated as needed. In addition, Exchange staff have developed and implemented a process for invoicing the Department of Human Services for cost allocated items and have completed an assessment of the state SWIFT IT system for adequacy for Exchange activity. Minnesota is developing and implementing IT and operating solutions for premium processing with identified partners. Further, the Exchange has established internal controls and oversight mechanisms, including procedures to test compliance and detect fraud and third party review of all systems to ensure ongoing monitoring of internal controls. Minnesota is requesting grant resources for financial management staff and contract costs for consulting for financial system development for an account structure and cost allocation.

Technology: Minnesota is committed to developing an Exchange that is consumer-friendly, easy to use and accessible, and fosters fair and equitable competition in the health care system. The Minnesota Exchange will seamlessly support private and public health care coverage options to individuals and small businesses. To accomplish these goals Minnesota is working closely with vendors, state agencies and other states to leverage existing efficiencies and expertise. Minnesota's IT infrastructure is modular in nature to encourage a best in class solution. Minnesota is requesting grant resources for IT staff costs, IT consultant contracts, hardware, software and contract costs for annual maintenance for the Exchange modules, IV& V, service integration and configuration services for electronic document management, identity management and data warehouse, IT security assessment and provider network data collection.

Privacy and Security: Protecting privacy and security of Exchange users is a paramount focus of all Exchange design and development activities. Users of the Exchange must feel confident that their personal information is safe and secure to ensure trust and accountability in the new online marketplace. Minnesota has included detailed privacy and security requirements in the recently announced IT contract and is working closely with agency partners and vendors to make certain all federal privacy and HIPAA laws are followed.

Oversight, Monitoring and Reporting: Minnesota is designing an Exchange that is accountable to the people of Minnesota. Minnesota is dedicated to ensuring prevention of waste, fraud and abuse at every level of Exchange design and development activity. Current efforts have included working with existing State Agency resources devoted to these issues and with outside resources with vast experience in this arena. Minnesota will continue to monitor and report on all areas of waste, fraud and abuse prevention and will continue to update standards as new best practices become available. Minnesota is requesting grant funding for an Internal Audits/Program Integrity Manager and contract costs for third party audit review for internal controls of the Exchange and consultants for program integrity.

Strategy to Address Early Benchmarks

Gap Analysis of Existing Services: Minnesota has explored existing structures within the state and identified areas for possible integration and cost effectiveness. For example, the Exchange is working closely with the Departments of Human Services, Commerce, Health and MN.IT to examine existing IT systems and develop an Exchange IT infrastructure that is efficient and cost effective. In addition, Exchange staff are working closely with agency partners in areas such as customer services, banking, call centers, QHP certification and provider network information to develop an Exchange that meets all Blueprint requirements while also capitalizing on existing resources.

Plan Management: Minnesota will be using existing regulatory entities for plan certification and the SERFF system for the plan certification process. Minnesota is coordinating closely with a variety of agency and stakeholder partners to develop a plan management system that best serves the needs of Minnesota. These efforts include various interagency work groups and stakeholder work groups. The Exchange is also coordinating with other state agencies to build on existing state data sources to integrate into the Exchange, including Minnesota Department of Health quality metrics for hospitals and clinics and provider network data collection. In addition, Minnesota is continually learning about and staying abreast of national work on plan choice architecture, including work by the Pacific Business Group on Health and Consumers Union.

Financial Management: Minnesota is utilizing existing state processes and procedures to ensure adequate financial management of grants and current accounting systems for grant accounting. In

addition, Exchange staff have developed and implemented a process for invoicing the Department of Human Services for cost allocated items and have completed an assessment of the state SWIFT IT system for adequacy for Exchange activity. Minnesota is developing and implementing IT and operating solutions for premium processing with identified partners. Further, the Exchange has established internal controls and oversight mechanisms, including procedures to test compliance and detect fraud and third party review of all systems to ensure ongoing monitoring of internal controls.

Eligibility and Enrollment: In order to achieve single streamlined eligibility and enrollment, it is imperative for the Exchange team to work in close coordination with the Minnesota Department of Human Services. Minnesota Exchange staff coordinate regularly with Medicaid staff, including multiple weekly meetings, shared participation in monthly calls with CMS and joint APD/gate reviews.

Consumer Engagement and Support: Minnesota understands the importance of engaging stakeholders regularly and often throughout the design and development of a Minnesota Exchange. As such, Minnesota has created an Exchange Advisory Task Force, multiple technical work groups, weekly listserv notices and, a regularly updated website and coordinates regularly with other efforts as appropriate including Governor Dayton's Health Care Reform Task Force and accompanying work groups.

Appeals: In order to create an appeals process for the Minnesota Exchange that is established and appropriate for Exchange activity, Minnesota Exchange staff have been coordinating closely with other agencies to leverage and learn from existing appeals processes and infrastructure where appropriate. Work is underway to develop a seamless interaction between the Exchange and Medicaid for appeals. This grant request includes staffing resources devoted to appeals process development.

IT Gap Analysis: As referenced previously, Minnesota has made significant progress assessing existing IT infrastructure and cross referencing with future needs. The IT Gap Analysis has been an ongoing coordinated effort with other state agencies including the Departments of Human Services, Health, and MN.IT. This work, which has included assessment of OTS software, has and will continue to inform all technical design components of the Exchange IT build. Gap analysis between required and desired Exchange functionality and a reference installation of the vendors' core software components will also be conducted.

Actuarial and Market Analysis: As referenced previously, in March 2011 Minnesota entered into a contract with Dr. Jonathan Gruber and Gorman Actuarial to understand the requirements, options, costs and coverage impacts of an Exchange. The purpose of the modeling was to project Exchange enrollment and estimate the impact of insurance market and public program changes. Final results were released in April 2012. In March 2012, Minnesota extended existing contracts with Dr. Jon Gruber and Bela Gorman to update existing modeling results as more up-to-date information becomes available. Data from 2011 is now being collected to inform an updated set of results that will be released this fall. This ongoing actuarial analysis and economic forecasting of risk mix and volume of individual, Medicaid, and small group enrollment will assist in estimating service and financing needs.

In addition, Minnesota contracted with Salter Mitchell to perform market research that will allow for a better understanding of communications, public awareness and engagement strategies that will be most effective in educating Minnesotans about an Exchange. Preliminary results were released in July 2012 and were shared with work groups and the Advisory Task Force.

Stakeholder and Tribal Consultation: Minnesota is dedicated to involving stakeholders in every possible way in the design and development of a Minnesota Exchange. These ongoing efforts include an Exchange Advisory Task Force, multiple technical work groups, a public website and listserv. Tribal governments have also been consulted regularly via an interagency Tribal Consultation work group and a number of tribal representatives participating on the Advisory Task Force and multiple work groups. Minnesota also has signed tribal consultation agreements with four tribes and we anticipate additional signed agreements over the next few months.

Long-term Operational Costs Analysis: Minnesota has worked with other states and Wakely Consulting to develop model projections for long-term operational costs. Exchange staff are in the process of validating these projections, including consultation with other states for similar activities. These projections will be discussed and evaluated by the Financing work group over the summer and fall to make recommendations on financing options. Additional grant funds are requested to provide assistance related to operational readiness preparation, including long-term cost analysis.

Proposed Solution for Exchange IT Systems

The Minnesota Exchange IT System will be an independent application that is comprised of modular components that will integrate with other supporting systems. This infrastructure is supported by members of the Minnesota Information Technology Services (MN.IT services). The same staff is engaged in activities to supplement the current infrastructure with additional components that will be needed by the proposed Exchange solution. This infrastructure supplement is part of the update to the Gap Analysis.

The Minnesota Exchange will contain components from commercial off the shelf (COTS) products as well as configured and custom solutions. IBM's Curam Software product will be utilized for individual eligibility determinations, case management, and user account administration. Connecture Incorporated's StateAdvantage product will help process enrollments, small business participation, and insurance plan and provider displays. Products from EngagePoint will provide integration services as well as financial management for billing, aggregation and reconciliation of payments. The Exchange will also connect with the National Association of Insurance Commissioners (NAIC) System for Electronic Rate and Form Filing (SERFF) for plan certification. Information from the Minnesota Department of Health's quality data and provider peer grouping efforts will also help with consumer plan choices. Efforts will also include custom solutions for required functionality and uniformity. Uniformity will also be supported by results from other related projects such as the Pacific Business Group on Health's Consumer Choice project and the UX2014 user experience project. Results from the UX2014 project are expected to be used to help create a common look and user experience for participants of the Minnesota Exchange.

Additional opportunities exist to enhance not just the Minnesota Exchange, but related activities and systems. For example, the Department of Human Services is planning to use the Curam software platform for all public health care programs. The Department of Human Services is also exploring opportunities to connect other human services to the software platform in the future. The Exchange will also display quality data provided by the Health Department. Within the Exchange, this quality information will be linked to plans via clinics and providers for display with chosen health plans. Efforts are also underway to allow the Exchange to display this quality information in a standalone format for users to view directly. Additional efforts will also enhance the operational functionality between the Exchange and other systems. For example, not only will the SERFF system provide the means for regulatory staff to conduct their statutory duties and to certify qualified health plans, but it may also

serve as the entry point for Medicaid plans' information to be displayed on the Exchange. Integration activities with the Federal Services Hub and other State data sources for eligibility (e.g., quarterly wage data) are also under development.

IT Seven Standards and Conditions

1. **Modularity** – Minnesota has developed its Exchange in a modular fashion from the start. The vision for the recently signed IT Exchange contract was seen as modular components that could be provided by multiple solutions. The modules include: eligibility, enrollment, SHOP, plan and broker/navigator management and display, provider display, fund aggregation and account administration. Minnesota is also utilizing other modular components to help support its Exchange. These other efforts range from the use of the National Association of Insurance Commissioner's (NAIC) System for Electronic Rate and Form Filing (SERFF) for insurance plan certification to the Minnesota Department of Health's quality data information to help with consumer choices. With any modular approach, integration between modules is paramount to the success of the system. Minnesota is undertaking a number of measures to ensure success by utilizing standards and requiring interoperability methodologies for the interactions of these modules. Requirements are also being put into place to make certain the user experience is streamlined and without gaps between the modular components.
2. **Medicaid Information Technology Architecture (MITA) alignment** – Minnesota is developing the Exchange in a coordinated fashion with the Minnesota Department of Human Services and MN.IT (the State's central IT Agency) to ensure full MITA alignment. To ensure alignment, Minnesota is following and practicing System Development Life Cycle (SDLC) activities as well as aligning with other architecture guidance standards. All IT vendors working on this project are required to follow MITA practices.
3. **Leverage and reuse within and among States** – Minnesota is fully committed to leveraging existing resources within the State and with other states. Exchange staff have worked very closely with the Minnesota Department of Human Services and MN.IT throughout the technical development process. Minnesota is also working closely with the State of Maryland to coordinate efforts relating to a number of Exchange development components, including technical infrastructure. Minnesota has worked with multiple Early Innovator states on workgroups such as the Federal Data Services Hub Technical Work group, Test Scenario Working Group, Early Innovator Learning Collaborative, State Exchange System Security Group, and the Health Plan Work group.
4. **Industry standard alignment** – Minnesota and its private sector IT vendors are aligning with industry standards, specifically those recommended in ACA Section 1561 and CMS guidelines. Minnesota is also following best practices standards in multiple other areas such as security, project management and accessibility. All technical contracts have sections stating the Minnesota and project requirements for development activity.
5. **Support of business results** – Minnesota Exchange development activities are being driven by business needs and requirements, including regular interaction with a variety of stakeholders.
6. **Reporting** – Minnesota is designing an IT solution for the Exchange that satisfies all state and federal reporting requirements. Standard project management methodologies are being practiced following PMBOK guidelines which support these reporting requirements.

7. **Seamlessness and interoperability** – Minnesota is focused on designing an Exchange that provides a streamlined and uniform user experience. The modular components are being integrated so that there is a consistent look and feel throughout and to avoid breaks to the user. Similar guiding principles are also being applied to third party interactions such as the Federal Services Hub and the NAIC SERFF tool.

Organizational Structure

As outlined in the Governor’s Executive Order, the Minnesota Department of Commerce, the Minnesota Department of Human Services and the Minnesota Department of Health are working collaboratively on Exchange design and development. During the development phase, Exchange staff are located at the Minnesota Department of Commerce and led by an Executive Director.

Interagency coordination of this effort is imperative to its success. To facilitate this process, a number of interagency work groups have been formed. The Department of Commerce has an active Interagency Agreement with the Department of Human Services and efforts are underway to establish updated interagency agreements between the regulatory divisions of the Departments of Commerce and Health for plan certification, as well as an interagency agreement defining the scope of collaboration between the two agencies on other Exchange functions, including market evaluation.

Please see the existing organizational chart on page 12 of this narrative, and the proposed organizational chart in section I, Descriptions for Key Personnel and Organizational Chart for additional detail.

Coordination with Federal Government

Minnesota works very closely with our Federal government partners. Minnesota Exchange staff have weekly consultation calls with our State Officers to provide regular updates, ask questions and provide feedback. Minnesota also has monthly conference calls in coordination with the Department of Human Services and federal partners representing CMCS, CMCS Regional Office and CCIIO. Minnesota staff participate in a number of federally-facilitated webinars, conference calls and user groups to stay as informed as possible as new information becomes available.

Reuse, Sharing and Collaboration (beyond IT)

Minnesota is committed to collaborating with other states and reusing and sharing as much as possible. Minnesota is in close contact with the State of Maryland on a weekly basis coordinating efforts on a variety of aspects of Exchange design and development including but not limited to technology, eligibility and enrollment, plan management and business operations. Minnesota staff also communicate on an as-needed basis with staff from a number of other states including Washington, Massachusetts, Rhode Island, Oregon, Utah and Maryland. Minnesota participates in a number of user groups and webinars facilitated by CCIIO, CMS, NAIC, the RWJ State Health Reform Assistance Network and NASHP, on Exchange topics. Minnesota has also posted a number of documents on CALT and will continue to do so as new material is developed.

Financial Integrity

Minnesota Exchange design and development activities are underway related to the prevention of waste, fraud and abuse. Specifically, Exchange staff work closely with the Minnesota Department of Commerce Internal Controls Director to coordinate efforts to ensure that Exchange activities are in compliance with agency standards. Exchange staff are working closely with program integrity staff and

compliance staff at the Department of Human Services to ensure that all necessary and appropriate controls are implemented for public programs. In addition, all Exchange activities are taking place in full compliance with state policies and procedures regarding monitoring and oversight, as well as ongoing federal reporting requirements. Minnesota Exchange staff also produce monthly monitoring and reporting regarding grant expenditure and encumbrance.

Challenges

Minnesota is working diligently to develop a Minnesota Exchange that is consistent with the timeline set forth in the Affordable Care Act. In some areas, such as essential health benefits and dental, states are lacking key federal guidance and artifacts which have created some operational challenges in the design and development process.

SHOP

Minnesota has convened a Small Employer and Employees work group composed of small employers, brokers, insurers, consultants, unions and consumer representatives. The work group provides technical assistance and information on the options related to coverage choices, services, processes and assistance for small employers and employees through the Exchange. The work group has examined many issues including SHOP requirements, the current small group market in Minnesota, premium calculator requirements, integration of tax-advantaged vehicles in SHOP and potential additional services the Exchange can offer to employers. The work group has met a number of times to date and will continue to meet through the middle of next year.

The Exchange has included a number of functional requirements in the recently signed IT contract focusing on the small group insurance market including requirements that are intended to facilitate streamlined enrollment, plan selection and payment aggregation. Functionalities include support for employer and employee choice enrollment models, payment aggregation and integration with broker/navigator support.