OMB #0938-1101

Office of Consumer Information and Insurance Oversight

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

Minnesota Quarterly Project Report

Date: 7/29/2011

State: Minnesota

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

Project Quarter Reporting Period: Quarter 2 (4/1/2011 to 6/30/2011)

Grant Contact Information

Primary Contact Name: Mike Rothman
Primary Contact Number: 651.296.6025
Primary Contact Email Address: Mike.Rothman@state.mn.us or commissioner.commerce@state.mn.us

Secondary Contact Name: April Todd-Malmlov
Secondary Contact Number: 651.201.3561
Secondary Contact Email Address: April.Todd-Malmlov@state.mn.us

Website (if applicable):

Award number: 1 HBEIE110058-01-00

Date submitted: 7/29/2011

I. Project Summary

Please provide a narrative description (about 5-10 sentences) describing your progress so far in planning activities under each core area. We would like to know what activities you have undertaken to date and what you plan to undertake in the next quarter.

1. **Background Research:** *May include research to determine the number of uninsured in the State including, but not limited to, those potentially eligible for the Exchange, and those eligible for Medicaid or their employer's coverage and currently not enrolled.*

To help 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 are currently using the Minnesota-specific data sources and detailed data submitted by the Department of Human Services (Minnesota's Medicaid agency) and private health insurers on benefits, enrollment, premiums, and claims experience for economic and actuarial modeling. The modeling will project Exchange enrollment and estimate the impact of insurance market and public program changes and 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 on enrollment, premiums, state spending, and overall health care costs.

Minnesota has created a Background Research Sub-Group within an Interagency Exchange Work Group structure to coordinate these activities. The Sub-Group includes representatives from the Minnesota Departments of Commerce, Human Services, and Health. This Sub-Group will soon start to review preliminary results and engage health insurers to review the results based on data that they submitted for the analysis and test alternative assumptions. Results of the economic and actuarial modeling will also be shared with stakeholders in the next quarter.

2. **Stakeholder Involvement:** *May include a list of the stakeholders within the State who will be involved in the State's decision about whether to operate the Exchange and planning/implementation of the Exchange, including the role proposed for each stakeholder as well as agreements with those stakeholders that may be in place at this time. Developing stakeholder involvement may include a plan to gain public awareness and commitment of key stakeholders through task forces and activities in various venues to obtain stakeholders' input.*

Activities under the Planning Grant are being carried out as a collaborative effort from a number of State agencies including the Minnesota Departments of Commerce, Human Services, and Health. An Exchange Work Group and interagency agreements were established in February 2011 to coordinate Exchange Planning Grant activities. Stakeholder and Communications Work Groups were also created to coordinate communications and stakeholder interactions for the Exchange and health reform issues broadly for the Minnesota Departments of Commerce, Human Services, and Health.

To gather diverse perspectives regarding Exchange structure and development, representatives from State agencies have participated in more than 55 meetings with more than 90 stakeholder groups representing all areas of the State, including representatives from the employer, consumer, health insurer, health care provider, tribal, county, and Navigator/broker communities. In April and May 2011, Minnesota worked with contracted facilitators to develop object framing, concept, and process models identifying broad technical and operational issues for an Exchange. These efforts included focus group sessions with stakeholders from across the State related to Program Integration and IT Infrastructure. Broad stakeholder engagement efforts will continue into the next quarter.

3. **Program Integration and IT Infrastructure:** *May include a description of how an Exchange will build on existing State and Federal programs such as Medicaid and CHIP. This may also include current State activities similar to an Exchange. May include the planning for a web portal and/or a call center to meet the increased need for consumer education, the coordination of Medicaid and Exchange-related activities, and the integration of Health Information Exchange standards for program interoperability.*

Minnesota's Exchange planning efforts have included the establishment of a Program Integration and IT Infrastructure Sub-Group under the Interagency Exchange Work Group with broad state agency participation and coordination from the Minnesota Departments of Commerce, Human Services, and Health. These coordinated efforts have resulted in the completion of an Exchange IT RFP and an IT GAP Analysis during this quarter.

In June 2011, Minnesota published a Request for Proposals (RFP) for a two-staged, proof of concept approach to evaluate IT infrastructure options and costs for an Exchange with Planning Grant funds. Feedback from the stakeholder focus group sessions conducted in April and May 2011 was used for the development of this RFP. During stage one, RFP respondents propose prototypes for a fully functioning Exchange technical infrastructure and/or specific component modules. Successful respondents will be awarded stipends to create proposals that include prototypes, detailed cost estimates, work plans, and timeline proposals for potential implementation in stage two. The proposals and prototypes will be made available for public evaluation by stakeholders during stage two and the feedback will be incorporated as part of the evaluation score. Activities in the next quarter will include the evaluation of stage one proposals and the selection of vendors to develop prototypes.

The Minnesota Departments of Commerce, Human Services, and Health also completed a joint Gap Analysis of the State's current IT infrastructure. Findings from this analysis concluded that a Minnesota Exchange could utilize some existing State systems, however most functionality would need to be derived from new elements. This analysis also found that a Minnesota Exchange would be best developed using an interactive modular component design.

4. **Business Operations and Resources and Capabilities:** *May include an assessment of current and future staff levels, contracting capabilities and needs, and information technology. May include plans for eligibility determinations, plan qualification, plan bidding, application of quality rating systems and rate justification, administration of premium credits and cost-sharing assistance, and risk adjustment.*

Minnesota's planning activities regarding Business Operations and Resources and Capabilities have included the establishment of a Sub-Group under the Interagency Exchange Work Group with representatives from the Minnesota Departments of Commerce, Human Services, and Health. The goal of this Sub-Group is to create an initial assessment of existing functions related to the operations of an Exchange and to develop preliminary cost estimates for various Exchange business operations. The Sub-Group has worked on an initial assessment of existing processes at the Minnesota Departments of Commerce, Human Services, and Health related to: call centers - including services, processes and timing for call resolution, and training requirements for call center staff; consumer assistance; quality rating systems; outreach and education, risk adjustment – including methods, data sources, and the costs of obtaining, maintaining, and using data sources for existing risk adjustment mechanisms; Navigators/brokers – including training/education requirements and compensation; premium collection and aggregation; notices; regulation of health insurers and health benefit plan certification; providing information about consumer protections; and collecting data on inquiries and complaints and how issues are resolved. Ongoing work to assess existing processes, options, and costs for business operations will continue into the next quarter.

5. **Governance:** *May include planning for a State-run Exchange or an Exchange run by an independent entity. If an Exchange is expected to be State-run, planning could include determinations of where the Exchange would reside, what the governing structure would be, and to what departments or officials it would be accountable. If an Exchange is expected to be established through an independent entity, planning could include the development of the governance structure, appointment process, conflict of interest rules, and mechanisms of accountability. If the State is planning to coordinate with other States for a regional Exchange, activities relating to coordination with other States to establish an Exchange, determine markets, and ensure licensure and consumer protections could be developed.*

Minnesota planning efforts related to Governance have focused on analyzing the advantages and disadvantages of different governance structures. Two Exchange establishment bills (HF1204/SF917 and HF497) were introduced in the Minnesota State Legislature in the 2011 Legislative Session with two different governance structures – State agency and not-for-profit organization. Neither bill passed nor had a formal hearing. Governance will continue to be explored, with more information available in the next quarterly report.

6. **Finance:** *May include pathways to developing accounting and auditing standards, mechanisms of transparency to the public, and procedures to facilitate reporting to the Secretary.*

Minnesota has created a Financing Options Sub-Group under the Interagency Exchange Work Group with representatives from the Minnesota Departments of Commerce, Health, Human Services, and Management and Budget. This Sub-Group is working closely with the Background Research, Program Integration and IT Infrastructure, and Business Operations Sub-Groups to estimate preliminary funding needs for an Exchange and potential financing options. Ongoing work to assess preliminary funding needs and potential financing options will continue into the next quarter.

7. **Regulatory or Policy Actions:** *May include a determination of the scope and detail of enabling legislation and implementing State regulations.*

State agency staff from the Departments of Commerce, Human Services, and Health analyzed and monitored two Exchange establishment bills (HF1204/SF917 and HF497) that were introduced in the Minnesota State Legislature in the 2011 Legislative Session. There were two informational committee hearings, one in the House of Representatives and one in the Senate, that addressed general Exchange related issues; however, neither of the bills that were introduced had a formal hearing. Multiple Exchange amendments were offered in committee hearings and on the House floor, but none were adopted.

II. Barriers, Lessons Learned and Recommendations to the Program

Please report on any issues or problems that have impacted the development and implementation of the project during the reporting period. Detail what impact any issues may have on the achievement of project targets, and set out how you plan to tackle these issues. Also provide any lessons that you have learned during this quarter that you think would be helpful to share with other states as well as any recommendations you have for the program.

Minnesota did not have any issues or problems that impacted the development or implementation of the project during the reporting period. However, Minnesota experienced a three-week government shutdown during the month of July due to the lack of a budget agreement for appropriations for fiscal year 2012 that started on July 1, 2011. This shutdown will delay the response dates for stage one and potentially stage two for the IT RFP over the next two quarters.

III. Technical Assistance

Please describe in detail any technical assistance needs you have identified through your planning activities. Please be as specific as possible about the kind of assistance needed and the topic areas you need to address. Discuss any plans you have for securing such assistance.

Minnesota has no technical assistance requests at this time.

IV. Draft Exchange Budget

To understand state budgetary requirements moving forward, we ask that you provide a draft budget to the extent possible for Federal fiscal years 2011 through 2014. You may specify functional areas as you deem appropriate based on the types of costs you anticipate incurring. Examples of possible functional areas include personnel, other overhead, IT and systems costs, and other operational costs. When developing IT and systems cost estimates, please ensure that you separate costs for updating Medicaid systems from costs for Exchange systems.

Draft budget information through 2014 is not yet available. Planning Grant activities are currently underway to assess upfront and ongoing budget issues. Budget estimates will be available over the next two quarterly reports. It is anticipated that initial IT budget estimates from the RFP will be provided in the next quarterly report.

V. Work Plan

We ask that you begin working on a draft work plan for your Exchanges that will carry your planning and implementation efforts through January 1, 2014. On a quarterly basis, we would like to see your progress in developing this plan. We would like you to provide key objectives for implementing your exchange and corresponding milestones under each of these objectives. For your first quarterly report, please provide two milestones under each core area. In your second report, please provide four milestones. For your third report and the final report, we expect your work plan to be as comprehensive as possible.

Background Research

Activity	Timing
Background Research Sub-Group created under Interagency Exchange Work Group	February 2011
Contract finalized with Jonathan Gruber and Gorman Actuarial for economic and actuarial modeling	March 2011
Preliminary Exchange enrollment numbers and research findings from economic and actuarial modeling contractors available for Sub-Group	July 2011

Activity	Timing
Review preliminary Exchange economic and actuarial modeling results with health insurers and test alternative assumptions	August 2011
Interim report with final Exchange enrollment numbers and research findings from economic and actuarial modeling contractors	September 2011
Final report with Exchange enrollment numbers and research findings from economic and actuarial modeling contractors	November 2011

Stakeholder Involvement

Activity	Timing
55 meetings with over 90 stakeholder groups including representatives from the employer, consumer, health insurer, health care provider, Tribal, county, and Navigator/broker communities	March - June 2011
Facilitated focus group sessions with employers, consumers, health insurers, and potential Navigators/brokers, including Tribes, related to Program Integration and IT Infrastructure	May 2011
Engage stakeholders, including monthly meetings and conference calls and a specific process for consultation with Federally recognized Tribal governments	September 2011+
Public evaluation of prototypes from stage two of IT RFP process	September 2011 & November 2011

Program Integration and IT Infrastructure

Activity	Timing
Exchange Work Group created with interagency agreements for participation from the Minnesota Departments of Commerce (MDOC), Human Services (DHS), and Health (MDH) to coordinate Planning Grant activities	February 2011
Program Integration and IT Infrastructure Sub-Group created under Interagency Exchange Work Group	February 2011
Interagency work with facilitator to develop object framing, concept, and process models that specify the business and technical requirements for an Exchange to facilitate a seamless program integration framework that incents value and competition by insurers and providers, simplifies regulation including certification of health benefit plans, and streamlines eligibility and enrollment for public programs	April - May 2011
Facilitated focus group sessions with employers, consumers, health insurers, and potential Navigators/brokers, including Tribes, related to Program Integration and IT Infrastructure	May 2011

Activity	Timing
Program Integration and IT Infrastructure Sub-Group finalize Exchange IT Gap Analysis	June 2011
Release Exchange IT "Proof of Concept" RFP that specifies broad Exchange goals, objectives, requirements, and program integration alignment	June 2011
All RFP stage one proposals due	August 2011
RFP stage one evaluation of all modules and contracts executed for vendors selected to develop prototypes and detailed work plans and cost estimates	August 2011
Receive completed prototypes and detailed work plan and cost estimates from RFP respondents for provider display module	September 2011
RFP stage two evaluation of provider display prototypes, work plans, and detailed cost estimates	September 2011
Receive completed prototypes and detailed work plan and cost estimates from RFP respondents for modules	October 2011
RFP stage two evaluation of prototypes, work plans, and detailed cost estimates	November 2011
Produce detailed IT infrastructure and Program Integration work plans for component integration and systems interaction to include: SDLC implementation plan; security risk assessment and release plan; final business requirements, design and systems requirements, and requirements documentation	December 2011
Complete preliminary development for component integration and systems interaction for IT infrastructure	January - July 2012
Development of modules, component integration, and systems interaction for IT infrastructure	February - December 2012
System and user testing	January - September 2013

Business Operations

Activity	Timing
Business Operations Sub-Group created under Interagency Exchange Work Group	February 2011
Sub-Group initial assessment of existing processes at the Minnesota Departments of Commerce, Human Services, and Health related to call centers, quality rating systems, consumer assistance, outreach and education, risk adjustment, Navigator/broker programs, premium collection and aggregation, notices, regulation of health insurers and health benefit plan certification, providing information about consumer protections, and collecting data on inquiries and complaints and how issues are resolved.	March - November 2011

Activity	Timing
Develop detailed work plans and budget estimates for business operations	August - December 2011
Start execution on detailed work plans for business operations	January - August 2012
RFPs and contracts for vendor assistance with implementation of business operations	February - December 2012

Governance

Activity	Timing
Analyze advantages and disadvantages of different governance structures	February - June 2011
Governance structure planning and interaction with stakeholders	July 2011+

Finance

Activity	Timing
Utilize existing state processes and procedures to ensure adequate financial management of Exchange planning and establishment funds	February 2011+
Financing Options Sub-Group created under Interagency Exchange Work Group	February 2011
Develop detailed financial management and program integrity work plans	August - December 2011
Provide strategic direction for financial operations and financing mechanisms – including cost allocation between Medicaid and the Exchange, and ensure financial monitoring and reporting compliance	August 2011- August 2012
RFPs and contracts for vendor assistance with implementation of financial operations	February - December 2012

State Legislative/Regulatory Actions

Activity	Timing
Monitor and review Exchange and health insurance market reform legislation and amendments during Regular Legislative Session	January - May 2011
Receive authority to accept Federal Exchange Establishment funds	May 2011

VI. Collaborations/Partnerships

Report on who you are working with outside of your office or department, and any changes or issues in your institutional context and/or any progress or issues with your project partners.

The activities included in this Planning Grant are being carried out as a collaborative effort from a number of State agencies including the Departments of Commerce, Human Services, Health, and Management and Budget. A number of stakeholder groups including employers, consumers, health insurers, health care providers, and brokers/navigators have been, and will continue to be, consulted regarding specific components of the Planning Grant.