

**New York State
Third Quarter Project Report
State Planning and Establishment Grants for the
Affordable Care Act's Exchanges**

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Grant Contact Information

Primary Contact Name: Karol O'Sullivan

Primary Contact Number: 518-474-5394

Primary Contact Email Address: kosulliv@ins.state.ny.us

Secondary Contact Name: Danielle Holahan

Secondary Contact Number: 212-417-4991

Secondary Contact Email Address: dlh10@health.state.ny.us

Website (if applicable): www.healthcarereform.ny.gov

Award number: HBEIE0033A

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I. Project Summary

Below please find narrative project summaries for each of the nine core areas of the Exchange Planning Grant.

1. Background Research

New York continues to generate a strong body of background research relevant to Exchange planning and implementation. The New York State Departments of Health (DOH) and Insurance (DOI), the lead agencies responsible for Exchange planning under the coordination of the Governor's Office, continue to consult regularly with private entities such as the United Hospital Fund (UHF) and the New York State Health Foundation (NYSHF) to generate research that draws from existing agency knowledge and will best benefit planning activities. State policymakers review the research closely to inform decision-making.

The NYSHF, under a project developed in collaboration with DOI and DOH, funded Social Interest Solutions (SIS) and The Lewin Group to conduct an eligibility and enrollment systems gap analysis. The project's report, "Preparing New York's Information Technology Infrastructure for Health Reform: A Gap Analysis," released in May 2011, evaluates systems currently in place at DOH, the New York State Office of Temporary Disability Assistance, Hudson Center for Health Equity and Quality, New York City agencies and private health insurers. The full report is available through <http://www.nyshealthfoundation.org/content/document/detail/12888/> and <http://www.healthcarereform.ny.gov>. We continue to work with SIS as subject matter experts and to "drill deeper" on the gap analysis, particularly including other core areas beyond eligibility and enrollment, such as plan management, customer service, and communication.

With NYSHF support, the Community Services Society of New York (CSS) issued a policy brief which explores in detail the programmatic and financial implications of implementing a Basic Health Program. The report, "Bridging the Gap: Exploring the Basic Health Insurance Option for New York," June 2011 can be found on the NYSHF website at <http://www.nyshealthfoundation.org/content/document/detail/12952/>. NYSHF is also providing support for a forthcoming report by CSS and Empire Justice Center that will describe, based on input from over 240 stakeholders throughout the State, options for designing a Navigator program and consumer assistance program to help consumers access and use coverage obtained through the Exchange.

On May 12, 2011 UHF held a Roundtable for stakeholders entitled "Coordinating Medicaid and the Exchange." The event featured presentations by DOH on the State's technology initiatives and ACA implementation status, State Exchange Planning grant staff on issues New York faces coordinating Medicaid and the Exchange, and UHF on regulatory and policy issues. UHF released a related report, "Coordinating Medicaid and the Exchange in New York," on May 16, 2011. The report was authored by

Danielle Holahan, who is now the Project Director for the NYS Health Insurance Planning Grant.

On May 20, 2011 the NYSHF convened a meeting of experts, including representatives from HHS, health insurers, and DOH and DOI to discuss risk adjustment methods currently in use for the State's public health programs and the commercial insurance market and options for the Exchange.

Additionally, as described in earlier quarterly reports, DOI has contracted with the Urban Institute to conduct simulation modeling work for New York to estimate the cost and coverage impacts of health reform in New York and to provide projections of New York-specific costs of operating and implementing the Exchange. The Urban Institute has partnered with Wakely Consulting, Inc., to carry out analyses associated with the Exchange operations, including development of a New York-specific implementation plan and five-year Exchange financial model.

We anticipate that Urban Institute's baseline estimates of the cost and coverage impacts of federal reform in New York will be available by the end of July 2011. Thereafter, Urban Institute will produce estimates of the impact of a Basic Health Plan option in New York and the impact of merging the non-group and small group insurance markets in New York. Wakely Consulting will prepare a detailed work plan of Exchange business and operational tasks, a five-year budget for Exchange operations, and analysis of funding options to achieve self-sustainability of New York's Health Benefit Exchange by January 2015. This work commenced in mid-April 2011 and will be completed by October 2011. These nationally recognized experts bring invaluable assistance to the State's planning effort by conducting analyses that must be completed on extremely aggressive timelines to accomplish core milestones.

2. Stakeholder Involvement

On April 21, 2011, the State held a meeting to discuss aspects of the Health Benefit Exchange with numerous stakeholder organizations representing health care consumers, providers, businesses, organized labor, local governments, health plans, health insurers, and health policy experts, as well as representatives from the State Legislature and State agencies. Approximately 120 people attended the meeting in which more than 50 stakeholder organizations were represented. The meeting began with a State presentation on the work that is being conducted through the State's Exchange Planning Grant and Early Innovator Grant, and then focused on a discussion of options regarding New York Health Benefit Exchange structure, including governance, and the principles the New York Health Benefit Exchange must achieve. For each issue, State representatives provided a brief description of the options then asked for ideas from the attendees.

A range of opinions on the design options were expressed during this meeting. Governance had the largest degree of consensus. Many attendees supported the public authority or state agency models due to the governmental functions the New York Health Benefit Exchange will need to conduct, including the management of personal

information and the transparency that will be required to ensure public trust. Various stakeholder groups stressed the importance of having appropriate stakeholder representation on the New York Health Benefit Exchange's governing board and/or advisory group. And, many attendees noted that given the regional differences across the State, the Exchange will need to consider how to best consider these local differences in the design and operation of the Exchange.

In mid-May 2011, representatives from the Governor's Office, DOH, DOI, and the Exchange Planning staff conducted a series of four in-person public forums across the State and one call-in forum to gather additional input on the design of the New York Health Benefit Exchange. The in-person forums were held in Rochester, Syracuse, Albany, and New York City. The New York City forum was broadcast via live webcast and public input was also accepted via email. We received testimony from 87 individuals who represented 66 unique organizations or themselves and included health care consumers, providers, insurers, producers, businesses, unions, academics, and the general public. Topics discussed included Exchange governance structure, purchasing role, benefit options, organization of the market, and ideas about how to prevent adverse selection.

A consensus formed among many who testified around the preference for a public authority governance structure. Additionally, many stakeholders suggested that decisions on certain Exchange design options, such as market merger and purchasing role, would benefit from further study. All testimonies that have been received electronically are available on the State's federal health care reform website (www.HealthCareReform.ny.gov). An audio recording of the call-in forum and archived video from the webcast are also posted on the website.

This website, and email implementation updates, continue to serve as the primary resources for sharing information regarding implementation with stakeholders. A recent analysis of the website's traffic shows it has received 52,811 visits and 279,369 page views during the eleven month period from July 2010 – June 2011 following its launch on the DOH server. This averages to approximately 1,016 visits and 5,375 page views per week, which is the second highest traffic pattern of any website administered by DOH. (It is less than only the main DOH website, www.health.ny.gov, which receives over 650,000 average weekly page views.) Visitors to the health care reform website also visit more pages in a single visit than any other DOH website, indicating that the site provides information on a range of topics of interest to visitors. Further, approximately 50 percent of traffic to the website comes from referring sites, indicating that it is often being posted on other websites as a source for information.

Representatives from the Governor's Office, DOH, DOI, and the Exchange Planning staff also continually meet with individual stakeholder organizations, upon request, to discuss their specific concerns and interests regarding the Exchange. More than 60 such meetings have taken place to date in this calendar year and continue daily. Following the release of the Governor's proposed Exchange authorizing legislation on June 13, 2011 (discussed below), we received additional input about various provisions and suggestions for revisions.

Finally, the State has begun outreach with Indian Tribal governments for their input on the design of the New York Health Benefit Exchange and other related issues of concern. We anticipate holding meetings and calls over the coming year with Indian Tribal representatives to allow for additional feedback opportunities. We are also working with the Centers for Medicare and Medicaid Services Region II Office to coordinate a training for Tribal Nations and to seek their input on Exchange design options.

3. Program Integration

During the third quarter, the Governor's Office continued to hold a weekly Exchange Implementation Planning meeting with DOH and DOI, in furtherance of New York's ongoing commitment to ensuring a high level of coordination and integration of its public and commercial health coverage responsibilities and efforts through an Exchange. During this period the Governor's Office also continued to hold its weekly meeting with DOH, DOI, and additional State agencies involved in federal health reform implementation. DOH and DOI continue to work closely and collaboratively on all aspects of Exchange planning. During the third quarter, this has included:

- participating in Joint Application Design (JAD) meetings to further detail and delineate specific business requirements, processes, and policy decisions for the Exchange Information System;
- conducting public forums throughout the State;
- defining the scope of work and deliverables for contractors;
- developing joint project work plans; and
- drafting state legislation.

In addition to the State agency staff assigned to contribute to planning the Exchange, the Exchange planning staff including the Project Director, Policy Analyst, Stakeholder Outreach Coordinator, and Administrative Assistant are now in place. This staff, supported by the State's Exchange Planning Grant, is dedicated to the planning effort full-time. One of the primary responsibilities of the Exchange planning staff is to facilitate coordination across State agencies for Exchange planning work.

4. Resources & Capabilities

In the third quarter, DOI and DOH have continued to work collaboratively as lead implementation planning agencies, coordinated by the Governor's Office, and in conjunction with the NYS Division of the Budget, Civil Service and other staff as needed for development of a comprehensive Exchange implementation work plan.

In April 2011, Health Research, Inc. (HRI), a not-for-profit corporation, contracted with DOI to hire new staff dedicated to Exchange planning, hired a Program Director, Stakeholder Coordinator, and Administrative Assistant. In June 2011 a Policy Analyst

was also hired. (Job descriptions for these positions were included in previous correspondence with HHS.) The HRI contract was approved in the second grant quarter by the NYS Office of the State Comptroller (OSC) and all four positions to be hired by HRI are now on staff.

On May 16, 2011 New York received approval of its Exchange Planning Grant no-cost extension request from HHS. The planning grant period will now extend through June 1, 2012. As described in this request, the work underway by the Urban Institute and Wakely Consulting will be completed by October 1, 2011 to inform New York's on-going work and accommodate implementation timelines and the work of the planning grant staff will continue through June 2012.

As described above, Urban Institute/Wakely Consulting began work on their simulation modeling and financial modeling in April 2011. We anticipate that Urban Institute's baseline estimates of the cost and coverage impacts of federal reform in New York will be available by late July; estimates of the impact of a Basic Health Plan option in New York and the impact of merging the non-group and small group insurance markets in New York will be available by October 2011. Wakely Consulting's deliverables of a detailed work plan of Exchange business and operational tasks, a five-year budget for Exchange operations, and analysis of funding options to achieve self-sustainability of New York's Health Benefit Exchange by January 2015 are expected by October 2011.

5. Governance

On April 21, 2011, the Governor's Office, DOH, DOI, and Exchange Planning staff held a broad stakeholder meeting focused on key design questions, including governance. This meeting was informed by research conducted by the State as well as a January 2011 United Hospital Fund report, "Building the Infrastructure for a New York Health Benefit Exchange: Key Decisions for State Policymakers." These discussions, and other individual meetings with stakeholders, informed the development of a governance structure that was incorporated in New York Health Benefit Exchange authorizing legislation.

On June 23, 2011, the Assembly passed the Governor's Program Bill which would create a new public benefit corporation known as the New York Health Benefit Exchange. Although the Bill is awaiting action in the State Senate, this choice of governance structure has received overwhelming consensus. The purpose of the corporation is to facilitate the purchase and sale of qualified health plans, assist qualified employers in facilitating the enrollment of their employees in qualified health plans through the SHOP, enroll individuals in health coverage for which they are eligible in accordance with federal law and carry out the functions of the Exchange. A public benefit corporation was the preferred governance structure because it balances the desire for transparency and accountability gained from a governmental entity with the need for the entity to be sufficiently nimble in order to meet the 2014 target operational date and to enable it to adapt to a changing environment over time.

6. Finance

Consistent with federal statute, state Exchanges must be financially self-sufficient by January 1, 2015. Towards this requirement, the Governor's Program Bill would require the Exchange to study the options to generate funding for the on-going operations of the Exchange and report its findings and recommendation. To meet this requirement and the financial management milestones, New York's contract with Urban Institute/Wakely Consulting will provide an initial financial assessment and budget analysis to determine the financial resources required to establish an Exchange. This analysis will include identification of the number of operational processes and systems that must be developed for implementation and operation of the Exchange as well as analysis of the funding necessary to set up and run the Exchange. Based on the key decision points, New York plans to utilize staff and/or consultant services to assist with infrastructure development and further development of the work plan. This will provide the basis for developing solicitations for consultants and/or contractors to help establish or run select functions within the Exchange and for developing a model of self-sustainability for the Exchange.

In addition, New York is seeking – through a Level 1 Establishment Grant request submitted June 29, 2011 – to hire additional staff and external consultants to perform tasks related to Exchange establishment. These would include two accountants, who would begin the work necessary for New York Health Benefit Exchange financial planning, accounts management, budget operations, reporting, and program integrity.

New York has sought funding for its IT systems work through several grants. First, through New York's "Early Innovator" award, the State is designated to receive \$27.4 million over two years. Second, in May 2011, New York submitted an initial draft Advanced Planning Document (APD) for \$11.7 million to help support activities related to Medicaid eligibility in the context of the integrated Exchange design, development and implementation activities under the Early Innovator grant. The APD is under review at CMS/CCIIO, and the State is responding to comments recently received. Next, in our Level 1 Establishment Grant application, we sought another \$2.73 million to support staff and consultant costs for 12 new program and policy analysts, one research analyst, and expenses for IT consultants. Finally, New York intends to submit another APD for at least \$1.3 million for Medicaid IT systems work aligned with the Exchange systems and policy work sought in our Level 1 Establishment Grant application.

7. Technical Infrastructure

Since New York was awarded a \$27.4 million Early Innovator (EI) grant in early 2011, the State has begun working, along with other Innovator states and HHS (CMS and CCIIO) on the required artifacts, activities, and deliverables contemplated under the terms and conditions of the Innovator Collaborative Agreement. New York has participated in two federal gateway reviews to date: Architecture Gateway (4/1) and Project Baseline (5/13), and CMS/CCIIO is expected to complete a third gateway design review in or after fall 2011. Exchange design, development, and implementation (DDI)

activities will continue under the EI grant during the grant period 2011-2012, coordinated with Establishment grant activities and supplemented by Establishment resources.

Further, the EI project management team has been working with DOH, DOI, and other “subject matter experts” (SMEs) to elicit and develop the wide range business requirements and processes, and to flag important remaining policy decisions, necessary to support New York’s Exchange IT solution. As described in our application, Level One Establishment Grant funds would allow New York to secure critically needed program and policy analysts with expertise in core Exchange business functions, as well as supplement the State’s capacity to develop and document core Exchange business processes needed to help “stand up” an ACA-compliant Exchange by 2014.

Additionally, the Social Interest Solutions (SIS)/Lewin Group Exchange IT “gap analysis” (mentioned above) has provided important information, guidance and stakeholder perspectives in this regard, that will help inform the Exchange IT design and development process. We continue to work with SIS as subject matter experts and to “drill deeper” on the gap analysis, particularly including other core areas beyond eligibility and enrollment, such as plan management, customer service, and communication.

Finally, New York is participating in a new Exchange User Experience (UX) project. Through this initiative, which is supported by several national and state foundations, the design and innovation consultancy IDEO will develop IT specifications for a “best in class” user-friendly front-end for the Exchange to help ensure that large numbers of eligible consumers successfully enroll in and retain coverage. New York is seeking Establishment Grant funding for specific technical consulting expertise and assistance with the State’s participation in this project to help ensure that the front-end developed best meets the needs of New York.

8. Business Operations

Detailed Exchange business processes, and the associated business requirements for the Exchange IT system, must be developed for all Exchange functions within six broad core areas: eligibility and enrollment, plan management, financial management, customer service, communications, and oversight. Exchange business operations, and the key policy determinations that provide the framework for those operations, must inform and are an integral part of the design and development of New York’s Exchange IT solution. Exchange structure and governance decisions will help guide and assist in finalizing various design and operational parameters, needed in order to complete implementation activities within the required timeframes. Further, we are in the process of reviewing the July 2011 Exchange NPRM to assess its impact on system design considerations.

As described above, New York is working with consultants at the Urban Institute and Wakely Consulting to help support Exchange design. The Urban Institute is developing baseline population and premium data and complete micro-simulation modeling that will

inform design choices for the health insurance Exchange, provide the State with an estimate of the enrollment capacity needed in the health insurance Exchange in view of design parameters chosen, and provide advice regarding the infrastructure needed to support that capacity. Wakely Consulting will develop five-year cost projections for the Exchange. We anticipate that these analyses will be completed by October 2011.

9. Regulatory or Policy Actions

On June 23, 2011, the Assembly passed the Governor's Program Bill which would create the New York Health Benefit Exchange. The Bill can be found at: http://www.healthcarereform.ny.gov/health_insurance_exchange. The Bill, which is awaiting action in the State Senate, would establish a single Exchange – a centralized, customer-service oriented marketplace where individuals and small groups would be able to purchase qualified health plans, receive eligibility and subsidy determinations, and enroll in a range of coverage options, including public health coverage programs – operated by a governmental entity with the flexibility to meet the ambitious deadlines set by the ACA.

Consistent with federal law, once enacted into law, functions of the New York Health Benefit Exchange would include making qualified health and qualified dental plans available on or before January 1, 2014; assigning qualified plan ratings; utilizing a standard format to present health benefit options through New York Health Benefit Exchange; setting enrollment periods; implementing procedures for certification, recertification and decertification of qualified plans; ensuring that plans offer essential benefits, as required by federal and state law; ensuring that plans do not charge individuals a termination fee or penalty; operating a toll-free hotline; operating a website where standardized comparative information on qualified health plans and public programs is available; establishing an electronic calculator to determine actual cost of coverage after any premium tax credit or cost-sharing reduction is applied; establishing a navigator program; screening and enrollment of eligible individuals in public health insurance programs; granting certification of exemption from personal responsibility requirement; operating a small business health options program (SHOP); determining eligibility for premium tax credits, reducing cost-sharing and individual responsibility requirement exemptions; determining eligibility, providing notices and opportunities for appeals and redetermination.

In addition to the functions described above, the Bill requires studies of key policy decisions that will need to be made by the State. These studies would need to be conducted by April 1, 2012, assuming federal guidance is available, to inform policy decisions on the design of the New York Health Benefit Exchange. The ten studies that do not duplicate studies funded through New York's Exchange Planning grant or for which we sought Establishment Grant funding to support consultant analysis are:

- 1) A study of the essential health benefits identified by the secretary pursuant to section 1302(b) of the federal act and of the benefits required under the insurance law or regulations promulgated thereunder that are not determined by the secretary to be essential health benefits, such study, findings and recommendations shall address

matters including but not limited to:

- (i) whether the essential health benefits required to be included in policies and contracts sold through the exchange should be sold to similarly situated individuals and groups purchasing coverage outside of the exchange;
- (ii) whether any benefits required under the insurance law or regulations promulgated thereunder that are not identified as essential health benefits by the secretary should no longer be required in policies or contracts sold either through the exchange or to similarly situated individuals and groups outside of the exchange;
- (iii) the costs of extending any benefits required under the insurance law or regulations promulgated thereunder to policies and contracts sold through the exchange; and
- (iv) mechanisms to finance any costs pursuant to section 1311(d)(3)(b)(ii) of the federal act of extending any benefits required under the insurance law or regulations promulgated thereunder to policies and contracts sold through the exchange.

The study should also consider the individual and small group markets outside of the exchange and consider approaches to prevent marketplace disruption, remain consistent with the exchange and avoid anti-selection;

- 2) A study of insurance market issues, including:
 - (i) whether insurers participating in the exchange should be required to offer all health plans sold in the exchange to individuals or small groups purchasing coverage outside of the exchange;
 - (ii) whether the individual and small group markets should be placed entirely inside the exchange;
 - (iii) whether the benefits in the individual and small group markets should be standardized inside the exchange or inside and outside the exchange;
 - (iv) how to develop and implement the transitional reinsurance program for the individual market and any other risk adjustment mechanisms developed in accordance with sections 1341, 1342 and 1343 of the federal act;
 - (v) whether to merge the individual and small group health insurance markets for rating purposes including an analysis of the impact such merger would have on premiums;
 - (vi) whether to increase the size of small employers from an average of at least one but not more than fifty employees to an average of at least one but not more than one hundred employees prior to January 1, 2016;
 - (vii) how to account for sole proprietors in defining "small employers"; and
 - (viii) whether to revise the definition of "small employer" outside the exchange to be consistent with the definition as it applies within the exchange;
- 3) A study of the advantages and disadvantages of the exchange serving as an active purchaser, a selective contractor, or clearinghouse of insurance.
- 4) A study of the benchmark benefits identified by the Secretary and of the benefits required under State public health or the social services law or regulations

promulgated thereunder that are not determined by the Secretary to be benchmark benefits. Such study, findings and recommendations shall address matters including but not limited to:

- (i) whether any benefits required under State public health or the social services law or regulations promulgated thereunder that are not identified as benchmark benefits by the secretary should continue to be required as covered benefits available to newly Medicaid-eligible individuals inside the exchange;
 - (ii) the costs of extending any benefits required under State public health or social services law or regulations promulgated thereunder as covered benefits available to newly Medicaid-eligible individuals through the exchange; and
 - (iii) mechanisms to finance any costs pursuant to the federal act of extending any benefits required under State public health or social services law or regulations promulgated thereunder to policies and contracts sold through the exchange;
- 5) A study of the impact of the establishment and operation of the exchange on the Healthy New York program established pursuant to section forty-three hundred twenty-six of the insurance law and the Family Health Plus Employer Partnership Program established pursuant to section three hundred sixty-nine-ff of the social services law;
- 6) A study of procedures under which licensed health insurance producers, chambers of commerce and business associations may enroll individuals and employers in any qualified health plan in the individual or small group market as soon as the plan is offered through the Exchange; and to assist individuals in applying for premium tax credits and cost-sharing reductions for plans sold through the Exchange;
- 7) A study of the criteria for eligibility to serve as a navigator for purposes of section 1311(i) of the federal act, any guidance issued thereunder and subdivision fourteen of section thirty-nine hundred eighty-four of this article;
- 8) A study of the role of the Exchange in decreasing health disparities in health care services and performance, including but not limited to disparities on the basis of race or ethnicity, in accordance with section forty-three hundred two of the federal act;
- 9) A study of whether and to what extent health savings accounts should be offered through the exchange;
- 10) A study of the integration of public health insurance programs, including Medicaid, Child Health Plus, and Family Health Plus within the exchange, which may include such reports as are periodically submitted to the Secretary.

The Bill would require that these studies are due to the Governor and legislature by April 1, 2012. It is anticipated that further legislation will be required based on the recommendations received.

II. Barriers, Lessons Learned, and Recommendations to the Program

Procurement and Hiring Requirements.

New York's deficit reduction exercises over the past few economically difficult years have led to Departments doing more with less. Existing staff of the Departments juggle multiple competing demands.

New York's State Finance Law sets out highly prescriptive guidelines for the purchase of services, technology, and commodities by State agencies. Major purchases in excess of \$50,000 require a lengthy, competitive, and detailed procurement process that does not lend itself to the federally mandated timeframes to establish contracts with vendors to assist with the federal competitive process for the Exchange Establishment Grant. Likewise, New York's Civil Service Law of the hiring of staff can be complex and time-consuming. While both Laws are necessary for a fair and competitive government structure, they challenge the Departments' abilities to move as quickly with Exchange planning as required by the grant process.

During quarter three, DOH completed the development of a request for proposals (RFP) for a systems integrator to build the IT system for New York's Health Benefit Exchange. We expect to post this RFP during the summer 2011. Following 30 days for application submission and 30 days for response, we anticipate that a systems integrator will be selected and begin work in fall 2011.

III. Technical Assistance

Outside Technical Assistance.

In accordance with language in New York's 2011-12 State budget, DOH plans to post a 30-day notice in quarter four for Exchange IT systems integrator proposals under the Early Innovator grant, including expertise with respect to the policies, processes, and requirements for the core Exchange business functions to be supported by the Exchange IT solution.

New York is proud to have been selected as one of ten states to receive technical assistance under a Robert Wood Johnson Foundation (RWJF) grant-funded initiative, the "State Health Reform Assistance Network." Through this initiative, the RWJF will provide technical assistance, research and monitoring, and consumer engagement to support efforts to maximize coverage gains made possible by the ACA. The RWJF team conducted a site visit in Albany, NY on June 20, 2011. And, New York's Exchange Planning Team will attend the RWJF Kick-Off Meeting on July 13-15, 2011 to meet with technical assistance experts.

IV. Draft Exchange Budget and Budget Narrative

New York's \$1,000,000 Planning Grant budget is allocated in the following manner: Contractual: \$876,438, Travel: \$61,905, Other (stakeholder meetings): \$61,657. The contracts are with Health Research, Inc. (\$576,938)¹ to support the four Exchange planning staff positions; the Urban Institute (\$250,000) to conduct the simulation and financial modeling; and Navigant Consulting (\$49,500) to assist with grant writing. The travel expenses are associated with project staff travel to stakeholder forums, national conferences, and in-state travel between New York City and Albany. The "other" costs are for the costs associated with conducting stakeholder meetings (e.g., facility usage fees, translators, transcripts, etc). Because much of the work under this grant was delayed until April 2011 and New York's no cost extension extends the grant period through June 2012, we have allocated our costs accordingly by year on the table below.

New York was awarded \$27.4 million through its Early Innovator award for Exchange Planning and IT Systems work, the State sought an additional \$11.7 million through an advanced planning document (APD), and anticipates seeking another APD of at least \$1.3 million to be submitted in support of the Level 1 Establishment Grant application for Medicaid systems work.

New York is seeking \$10.6 million through a Level 1 Establishment Grant request, which would be allocated as \$3.5 million in 2011 and \$7.1 million in 2012. These costs are detailed in the table below and would provide for additional staff to support IT activities not already funded elsewhere, continuation and expansion of our Consumer Assistance Program, consultant assistance to carry out a number of studies and to offer IT subject matter expertise, additional Exchange planning and implementation staff, and support continued stakeholder forums and associated staff travel.

Since the quarter 2 report, the State has estimated the four-year cost of continuing and expanding services for our statewide independent health consumer assistance program has increased to \$17,400,000. This will allow our consumer assistance program to assist approximately 40,000 New Yorkers and small businesses across the state, extending through Exchange planning, implementation, and phase-in of navigators, to Exchange sustainability by 2015. \$5,000,000 was requested in New York's Establishment Grant Level 1 request to expand the program's capacity in the areas of commercial insurance and small businesses. The initial Consumer Assistance grant for \$2,400,000 ends on September 30, 2011. Funding for independent consumer assistance does not include costs for the internal Exchange consumer assistance function/front-end needed in place by mid-2013, Call Center, or any Exchange consumer-focused outreach, education, and media.

¹ The Health Research, Inc. contract amount is \$2,152 higher than indicated in correspondence to HHS on June 9, 2011 because of an adjustment to the staff indirect rate for 2012.

Spending for Exchange implementation is contingent upon federal funding. Estimates below under “Exchange Implementation” reflect the amount requested in New York’s Level 1 Establishment Grant application. We anticipate seeking additional funding for 2012 through December 31, 2014 through a Level 2 Establishment Grant request.

Function	FFY 2011	FFY 2012	FFY 2013	FFY 2014
Exchange Planning	\$781,783	\$218,217		
Personnel	\$0	\$0		
Fringe	\$0	\$0		
Travel	\$46,429	\$15,476		
Equipment	\$0	\$0		
Supplies	\$0	\$0		
Contractual	\$689,112	\$187,326		
Other (stakeholder meetings)	\$46,243	\$15,414		
Innovative Exchange IT Systems	\$14,695,410*	\$19,593,881*	\$4,898,470*	
Personnel	\$1,992,428	\$2,656,571	\$664,143	
Fringe	\$868,095	\$1,157,460	\$289,365	
Travel	\$69,750	\$93,000	\$23,250	
Equipment	\$937,500	\$1,250,000	\$312,500	
Supplies	\$4,463	\$5,950	\$1,488	
Contractual	\$10,354,050	\$13,805,400	\$3,451,350	
Indirect	\$469,125	\$625,500	\$156,375	
Exchange Implementation	\$3,536,401	\$7,072,801**	TBD**	TBD**
Personnel	\$900,537	\$1,801,075	TBD	TBD
Fringe	\$389,663	\$779,325	TBD	TBD
Travel	\$21,742	\$43,485	TBD	TBD
Equipment	\$0	\$0	TBD	TBD
Supplies	\$2,985	\$5,969	TBD	TBD
Contractual	\$1,992,000	\$3,984,000	TBD	TBD
Other	\$32,921	\$65,843	TBD	TBD
Indirect	\$196,552	\$393,105	TBD	TBD
Other Business Operations Estimates:				
Consumer Assistance	\$2,400,000	\$5,000,000	\$5,000,000	\$5,000,000
Navigators			TBD	TBD
Sub-total of Current Estimates	\$21,413,594	\$31,884,899**	\$9,898,470**	\$5,000,000**

* This budget includes the \$27.4 million Early Innovator Grant award and anticipates receipt of at least another \$11.7 million through enhanced federal Medicaid matching funds, which New York has pursued through a 90/10 APD.

**These 2012 Exchange Implementation estimates reflect only the costs including in New York’s Level 1 Establishment Grant application. We anticipate seeking additional federal funds for 2012-2014 through a Level 2 Grant request.

V. Work Plan/ Milestones

1. Core Area: Background Research

- **Milestone 1:** Update New York's baseline data.

Timing: 2011

Description: New York has contracted with the Urban Institute to update existing baseline data. In the third quarter, the Urban Institute has updated estimates of the number of uninsured in the State, the size of the current individual and small group markets, the number of carriers in each market and market shares for the ten largest carriers, those potentially eligible for the Exchange, coverage and eligibility patterns for Medicaid and employer-sponsored coverage, as well as estimate coverage shifts as health reform is implemented. These estimates will be available early in the fourth quarter.

- **Milestone 2:** Identify key findings from Urban's updated Health Policy Simulation Model (HIPSM) New York-specific baseline data.

Timing: 2011- 2012

Description: DOI and DOH will work with the Urban Institute to analyze and interpret the key findings in the updated baseline data. Depending upon the design choices the State makes, the Urban Institute's HIPSM shall be used to estimate distributional cost and coverage implications of many of the choices, including:

- Merging of small and non-group insurance markets;
 - Implementing basic health plan option;
 - The definition of small group prior to 2016;
 - Including larger groups in Exchange post-2017;
 - Implications of additional State-funding subsidization of federally eligible population;
 - Various premium rating options; and
 - Implications of a catastrophic plan options for young adults purchasing coverage in the non-group market.
- **Milestone 3:** Draft recommendations for key Exchange design questions informed by results of consultant analyses.

Timing: 2011-2012

Description: As a result of analyses presented by the State's health policy expert consultants, the Departments will narrow and fine-tune their recommendations for key Exchange design questions.

- **Milestone 4:** Engage data for key decision-making on Exchange planning.

Timing: 2011-2012

Description: Distribute New York's updated data and related external research to State policymakers, State legislature and stakeholders. Consult the research literature to inform key Exchange decision-making throughout planning process.

2. Core Area: Stakeholder Involvement

- Milestone 1: Include stakeholders from diverse sectors and perspectives, including consumers, in the implementation process.

Timing: 2011 - completed

Description: Meetings between State representatives and individual stakeholder organizations have taken place. A formal stakeholder meeting with approximately 120 representatives of numerous organizations, the State Legislature, and state agencies occurred on April 21, 2011. (The agenda and materials presented at this meeting are included in Appendix B.)

Milestone 2: Conduct stakeholder meetings that cover all regions of the State.

Timing: 2011 - completed

Description: A series of public forums were held across the state the week of May 16, 2011. Four in-person forums were held. (The schedule of these forums and the presentation used at each are included in Appendix C. Testimonies that have been received electronically are available through this webpage: <http://www.healthcarereform.ny.gov/timeline/>.)

- Milestone 3: Utilize additional avenues besides meetings to allow for stakeholder input.

Timing: 2011 - ongoing

Description: The State recognizes the importance of allowing for input from individuals and organizations that are not able to attend meetings or public forums that are held. Therefore, a call-in forum was included in the series of public forums held in May 2011.

- Milestone 4: Maintain the State's health care reform website to make available information regarding the implementation process.

Timing: 2011 - ongoing

Description: The State's health care reform website (www.HealthCareReform.ny.gov) is continuously updated as new information becomes available, including progress on the Exchange planning process. Stakeholders have noted the convenience of accessing information regarding the implementation process through this resource.

- **Milestone 5:** Consult with Indian Tribal Governments.
Timing: 2011 – ongoing
Description: Establish, implement, and document a process for consultation with federally recognized Indian Tribal governments to solicit their input on the establishment and ongoing operation of New York’s Health Benefit Exchange.
- **Milestone 6:** Once establishing legislation is adopted, engage stakeholders in implementation process of the Exchange.
Timing: 2011
Description: Ensure stakeholder input from diverse sectors and perspectives, including consumers, business, providers, insurers, producers, and labor is reflected in the implementation process for the Exchange.
- **Milestone 7:** As consultant reports are received, engage stakeholders in the discussion of policy issues facing the Exchange.
Timing: 2011 – ongoing
Description: Ensure stakeholder input from diverse sectors and perspectives, including consumers, business, providers, insurers, producers, and labor is reflected in the policies for the Exchange.

3. Core Area: Program Integration

- **Milestone 1:** Perform detailed business process documentation to reflect current State business processes, and include future State process changes to support proposed Exchange operational requirements (pending federal guidance regarding, rules, processes, access to data, applications etc.).
Timing: 2011 and ongoing
Description: New York will conduct business process documentation to guide the design and development of its Exchange IT system.
- **Milestone 2:** Initiate communication with the State HIT Coordinators, DOH, DOI and the State’s human services agencies as appropriate, and hold regular collaborative meetings to develop work plans for collaboration.
Timing: 2011 and ongoing
Description: New York’s Governor’s Office holds a weekly meeting with relevant State agencies to keep one another informed of health reform implementation work.
- **Milestone 3:** Investigate other state experiences and research regarding program integration and incorporate lessons learned in design and development of New York Exchange.

Timing: 2011 and ongoing

Description: Consult the research literature on other state experiences with program integration. The SIS IT gap analysis (described earlier) also includes an assessment of best practices in other states. Finally, the State's work as a RWJF "Maximizing Enrollment" grantee also includes in-depth exploration of best practices with regard to public program eligibility and enrollment.

- Milestone 4: Begin development of business requirements for design and development of Exchange IT Solution.

Timing: 2011 and ongoing

Description: This work will be done as part of the State's "Early Innovator" initiative.

4. Core Area: Resources and Capabilities.

- Milestone 1: Complete the review of current assets with respect to product feasibility, viability, and alignment with Exchange program goals and objectives.

Timing: 2011 - ongoing

Description: This is included in the aforementioned SIS/Lewin Group IT "gap analysis" and will be included in the forthcoming Urban Institute/Wakely Consulting analysis.

- Milestone 2: Complete hiring of HRI staff and integrate their knowledge and experience into the Exchange planning process.

Timing: June 2011 - completed

Description: The four Exchange planning staff members are engaged full time.

- Milestone 3: Create Exchange operation and implementation plan.

Timing: 2011

Description: DOI and DOH will work with the Urban Institute/Wakely Consulting to identify the distinguishing characteristics of Exchanges and the key policy and design issues that must be considered. Such decision points will include vendor procurements, certifying qualified health plans (QHPs), required functions and development of administrative staff.

- Milestone 4: Development of five-year financial model.

Timing: 2011

Description: DOI and DOH will work with the Urban Institute/Wakely Consulting to develop a five-year financial model that projects revenues and expenses and identifies potential funding sources.

5. **Core Area: Governance**

- **Milestone 1:** Develop a governance model by working with stakeholders to answer key questions about the governance structure of the Exchange. Key questions include: (1) Will the State pursue subsidiary Exchange(s)? (2) Will the Exchange be housed in a State agency, quasi-governmental agency, or non-profit? (3) How will the governing body be structured?

Timing: 2011 - completed

Description: The State's decisions regarding Exchange governance were informed by discussions with stakeholders at the April 21, 2011 meeting, the public forums, and individual stakeholder meetings.

- **Milestone 2:** Establish governance structure for Exchange.

Timing: 2011 - completed

Description: Informed by stakeholder discussions, examination of the research literature, and consultant analyses, New York has decided upon the governance structure that best meets the needs of the State.

- **Milestone 3:** Incorporate governance decisions into Exchange legislation and shepherd legislation through the legislative process.

Timing: 2011 - ongoing

Description: The Governor's Program Bill, passed by the Assembly and pending action in the Senate, elects a public benefit corporation.

- **Milestone 4:** Apply for Exchange implementation funds to put the necessary infrastructure in place.

Timing: 2011 – completed

Description: On June 29, 2011, New York submitted an Establishment Grant Level 1 application to HHS. (Level 2 application anticipated in late 2011.)

6. **Core Area: Finance**

- **Milestone 1:** Adhere to HHS financial monitoring activities carried out for the planning grant.

Timing: 2011 - ongoing

Description: New York will comply with all HHS reporting requirements including quarterly reports and insure any modifications to the planning budget are approved by HHS. All Federal/State procurement guidelines will be adhered to.

- **Milestone 2:** Identify and estimate the funding requirements to develop the Exchange.

Timing: 2011 - ongoing

Description: New York will analyze the funding necessary to set up and run the Exchange. This process will provide the basis for New York's Exchange Establishment Level 2 Grant application, for developing requests for proposals for consultants and/or contractors to help establish or run the Exchange, and for developing a model of self-sustainability for the Exchange. New York has hired the Urban Institute/Wakely Consulting to assist with achieving this milestone.

- Milestone 3: Begin defining financial management structure and the scope of activities required to comply with requirements.

Timing: 2011 - ongoing

Description: The Urban Institute/Wakely Consulting will identify the number of operational processes and systems that must be developed for implementation and operation of the Exchange. Emphasis will be placed on key decision points that will be critical to determination of implementation and operational costs of the Exchange.

- Milestone 4: Establish a financial management structure and commit to hiring experienced accountants to support financial management activities of the Exchange, which include responding to audit requests and inquiries of the Secretary and the Government Accountability Office, as needed.

Timing: 2011 - ongoing

Description: Upon the passage of New York's enabling legislation and based on the Urban Institute/Wakely Consulting's key decision points, New York will begin to procure staff or consultant services to assist with infrastructure development and further development of the work plan.

7. Core Area: Technical Infrastructure

- Milestone 1: Conduct a gap analysis of existing systems and the ACA and related guidance requirements for Exchange systems development

Timing: June 2011 - completed

Description: The aforementioned SIS/Lewin Group IT gap analysis was completed in May 2011.

- Milestone 2: Complete preliminary business requirements and develop an IT architectural and integration framework.

Timing: 2011

Description: High-level business requirements have been completed and the IT architectural review was held April 1, 2011, with CCIIO and CMS. Development of business requirements will be ongoing during 2011.

- Milestone 3: Conduct a Project Baseline Review with CMS/CCIIO

Timing: 2011 - completed

Description: New York completed this review as part of its Early Innovator required milestone process.

- Milestone 4: Conduct a Detailed Design Review with CMS/CCIIO

Timing: 2011

Description: Design development is to be accomplished in connection with the design and development of the Exchange IT system.

8. Core Area: Business Operations

- Milestone 1: Assessment of federal quality rating requirements to determine key data collection points.

Timing: 2011

Description: In order to fulfill quality rating scoring, certain elements will be required. The State will consider the requisite data for development of quality measures.

- Milestone 2: Analyze data collected by consumer assistance programs and report on plans for use of information to strengthen qualified health plan accountability and functioning of Exchanges.

Timing: 2011/12

Description: This work will be conducted in 2011-12.

- Milestone 3: Begin development of business processes for all six core areas of Exchange business operations/functions.

Timing: 2011

Description: This work will be conducted in 2011-12.

- Milestone 4: Complete development of business processes for plan administration core area.

Timing: 2011

Description: This work will be conducted in 2011-12.

9. Core Area: Regulatory or Policy Actions

- Milestone 1: Hold public hearings on structure of Exchange.

Timing: 2011 - completed

Description: The State held a series of public hearings in May, which informed the structure of the Exchange the Governor's Program Bill.

- Milestone 2: Allow opportunity for legislative input on Exchange structure decisions.

Timing: 2011 - ongoing

Description: The Governor's Office, DOH, and DOI worked with the State Legislature on Exchange governance and design questions. The Governor's

Program Bill was adopted by the Assembly on June 23, 2011 and is currently pending in the Senate. The Bill would require that thirteen studies are conducted on key Exchange design issues and would be due to the Governor and legislature by April 1, 2012 (and one study is due December 2014). Future discussions on these topics are expected with the Legislature as the studies are completed. And, it is anticipated that further legislation will be required based on the recommendations received.

- Milestone 3: Draft enabling legislation, implementing regulations, or other mechanism that provides the legal authority to establish and operate an Exchange that complies with Federal requirements.

Timing: 2011 - completed

Description: The Governor's Office, DOH, and DOI worked with the State Legislature on Exchange governance and design questions. The Governor's Program Bill was adopted by the Assembly on June 23, 2011 and is currently pending in the Senate.

- Milestone 4: Introduce enabling legislation.

Timing: 2011 - completed

Description: Legislation was introduced in the 2011 legislative session. It was adopted by the Assembly on June 23, 2011 and is currently pending before the Senate.

VI. Collaborations/ Partnerships

New York State Health Foundation (NYSHF)

NYSHF is a private, statewide foundation that aims to improve New York's health care system by expanding health insurance coverage, containing health care costs, increasing access to high-quality services, and addressing public and community health. As outlined above, in support of the State's implementation planning efforts, NYSHF funded Social Interest Solutions (SIS)/Lewin Group's IT gap analysis of New York's eligibility systems and IT capabilities and needs, in terms of Exchange and related requirements under the ACA, is supporting SIS's continued involvement in New York's IT work, and has also provided funding to support New York's involvement in the Enrollment UX project described above.

United Hospital Fund (UHF)

As discussed in the narrative, critical work on a State-operated Exchange in New York was directed by UHF, with financial support from both UHF and the New York State Health Foundation. UHF is a nonprofit health services research and philanthropic

organization whose mission is to shape positive change in health care for the people of New York. UHF's work on the Exchange included input from State policymakers as well as a range of stakeholders including providers, insurers, legislators, academics and consumer groups.

Maximus

DOH has been working with a new Enrollment Center contractor, Maximus, to develop and launch a statewide consolidated call center for public coverage options in New York, and to handle telephone renewals for self-attesting populations, starting in 2011. Deliverables and lessons learned from this effort will help inform and support Exchange implementation in New York.