Alternatives to Vermont Health Connect:
Considerations & Cost Estimates

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What was the charge?

- If a milestone was not met, research:
  - all feasible alternatives to Vermont Health Connect, including a transition to a federally supported State-based marketplace (SSBM) for implementation in CY 2017
- We looked at:
  - alternatives for both the individual and small group marketplaces
  - impacts on Vermont's Medicaid program
  - Feasibility of maintaining Vermont Premium Assistance and Vermont Cost Sharing Reduction
  - Impacts on Vermonters who access coverage through Medicaid or the insurance marketplace

What process did we use?

- Research & analysis was done by cross department team & contractors
- Research included interviews with other state officials and vendors, as well as reviewing federal guidance for other models:
  - For individual marketplace & Medicaid: officials from states which had transitioned from a state based marketplace to *either* the federal exchange technology or to another state's technology
  - For small business marketplace: vendors who successfully stood up a small business exchange in at least one state

What other states did we talk to?

Medicaid & Individual Exchange

State	Description of Exchange
Hawaii	Transitioning to a Supported State Based Marketplace for Individual Market (in process) Small businesses are directly enrolling with Kaiser for 2016; Seeking 1332 waiver for 2017
Maryland	State Based Marketplace for Individuals (purchased and modified Connecticut's technology) State directly contracted with 3 third party administrators to run their SHOP
Nevada	Transitioned to a Supported State Based Marketplace for Individual Market Using own technology for small businesses
Oregon	Transitioning to a Supported State Based Marketplace for Individual Market Using a paper process for small businesses

What process did we use?

- Developed cost estimates for use of federal exchange
  - Based on costs incurred by other states, prior Vermont procurements or pending bids (IE), prior experience with vendors, informal estimates and comments from vendors
  - Reviewed with JFO to obtain feedback & questions
- Written report was peer reviewed by State Health Reform Assistance Network (out of Princeton University) and Joel Ario from Mannatt

What did we consider?

Cost Impacts

- **Transition Costs**
  - Decommissioning VHC technology & data
  - Education & Outreach
  - Technology development (VPA/VCSR & Medicaid)
  - Gap Analysis
- **On-going operations**
  - Impact of federal user fee
  - Call Center
  - Operations
- **Repayment of federal funds**

Policy & Operations Implications

- Feasibility of VPA/VCSR
- Impact on insurance rate review & hospital budgets
- Impact on future policy initiatives (e.g. limitations on 1332 waiver)
- Integration of operations across programs or lack thereof

Consumer Experience

- Engaging with one versus two call centers
- Enrolling in one versus two systems for mixed households & VPA/VCSR
- Transition to new system requires new enrollment

New Technology Risk

- Vendor experience
- Timeframe for development
- Impact on operations
- Potential to require policy changes

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What do we recommend?

Current VHC IT Functions		
MAGI Medicaid	**Individual Market**	**Small Business Market**

Finish VHC, because:
• Most cost-effective approach for remaining development and for on-going operations costs
  • It's inexpensive to move the individual market to the federal technology, but it is expensive to meet the Medicaid requirements, which we currently do through VHC.
• Maintains consolidated approach to covering individuals across all income levels
• Most likely to maintain 96-97% insured rate & not lose people in the transition
• Maintains state authority over health policy & health care reform
• Only option for maintaining **seamless** VPA/VCSR enrollment to ensure consumer affordability
  • Other options would require consumer to do two enrollment processes to sign up for VPA/VCSR
• Only option for maintaining **seamless** enrollment for mixed households (Medicaid/QHP)
  • Other options require consumer to do two enrollment processes to sign up for Medicaid & QHPs
		• Apply for 1332 waiver to maintain status quo of direct enrollment with carriers without further technology build
		  • Allows continuity for small businesses to continue current process
		  • Minimizes cost
		  • Note: state legislation is required
		• Pursue modified bid for a commercial off the shelf solution as a contingency plan
		  • Least costly approach if CMS requires technology for small business marketplace

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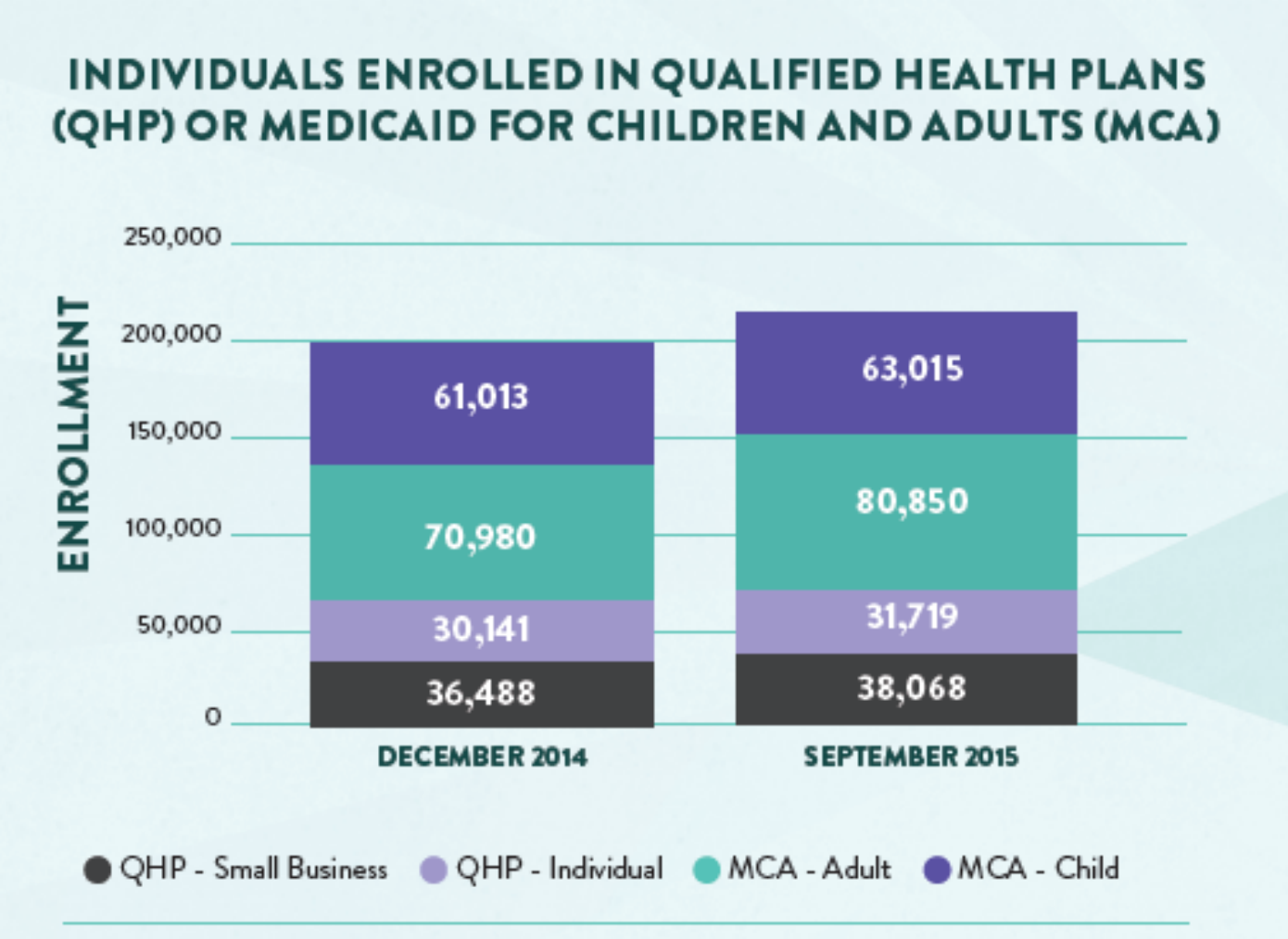
Who are we talking about?



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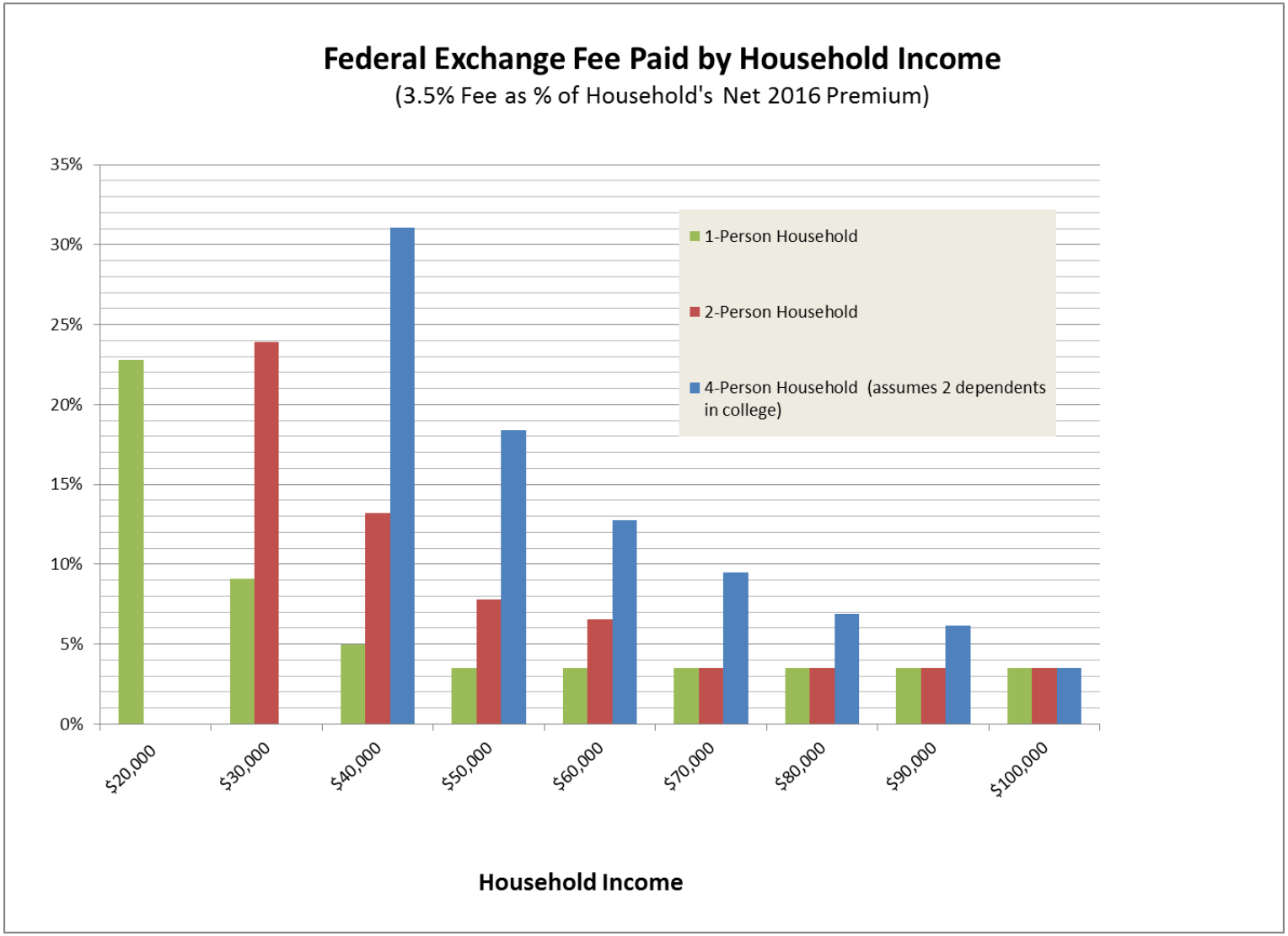
Finish VHC to keep Health Care Coverage Affordable

- Other alternatives require 2 separate enrollment processes & some people will not sign up
- Cost is the #1 reason Vermonters are uninsured
- Over half of the individuals in VHC receive Vermont subsidies– about 16,000 Vermonters
- Since Vermont Health Connect and VT subsidies, uninsured rate has been cut nearly in half– 6.8% to 3.7%
- Vermont's premium subsidy receives Medicaid match funding
- If families are unable to afford their out of pocket costs, providers will assume these costs as bad debt.

Federal User Fee

- Insurers collect on top of premium and remit to the federal government
  - State could pay for consumers to ensure that premiums net of VPA stay consistent
  - State could pass onto consumers as is done in other states
- 2015 fee for FFM is 3.5% of gross premiums = $6.3 Million
  - Draft rules came out on November 20, 2015 – proposes 3.0% fee for SSBM states to use federal platform

Federal User Fee Increases Costs to Lowest Income Vermonters



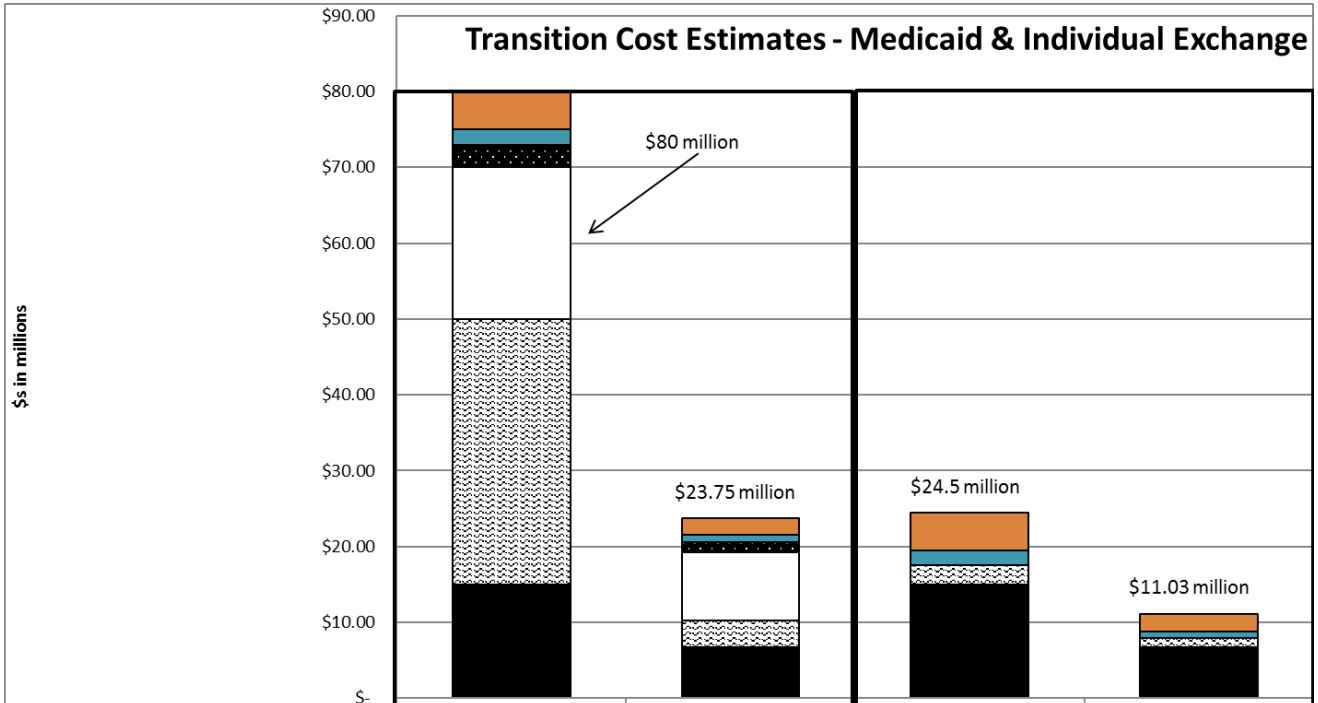
	Current VHC IT Functions		SHOP
Options	**MAGI Medicaid**	**Individual Market**	**Small Business Market**
Regional Exchange	• Not feasible for 2017; • A multi-state governance process with willing other state partners would be challenging to implement in a timely fashion • Extensive state legislation & policy changes are required to align Medicaid eligibility, insurance regulation, Exchange process, rate review & other regulatory processes • For example, Vermont has a merged individual and small group market. Only Massachusetts has merged the markets of the NE states • Lose leverage to promote Blueprint for Health participation and payment reform • Vermont has greater small business enrollment than other states & thus may be expected to pay a larger percentage of expenses for that population		

Use federal technology	• On-going Exchange operating expense is not substantial
	• Substantial transition & operations costs for Medicaid
	• High level of confusion for mixed households & those with VPA/CSR
	• Requires separate eligibility system for VPA/VSCR
	• Re-enrollment into federal system required
	• 2017 enrollment presents a timing risk
	• Requires modification of rate review timeline &/or process
	• Reduced ability to pursue comprehensive Section 1332 waiver
	  • No state specific modifications of federal technology, so waiving eligibility or enrollment components is not feasible
	• Limited data available from the federal government
	  • Restricts information available for policy & planning
	• Vermont call center performance is better than the federal government's
			• Use of federal technology only for small businesses is not feasible for 2017
			• Substantial policy changes required

	Current VHC IT Functions		SHOP
Options	**MAGI Medicaid**	**Individual Market**	**Small Business Market**
Purchase new technology	• Policy changes likely necessary • Transition and operations cost for Medicaid, but may be less disruptive than using federal technology • High level of confusion for mixed households & those with VPA/VCSR • May require separate eligibility system for VPA/VSCR • If customizable, requires additional financial investment • More costly than finishing VHC • 2017 enrollment presents a timing risk		• Recommended
Finish VHC	• Recommended		• Completing last version of VHC small business technology has substantial cost • High level of complexity & risk

Transition Costs by Type

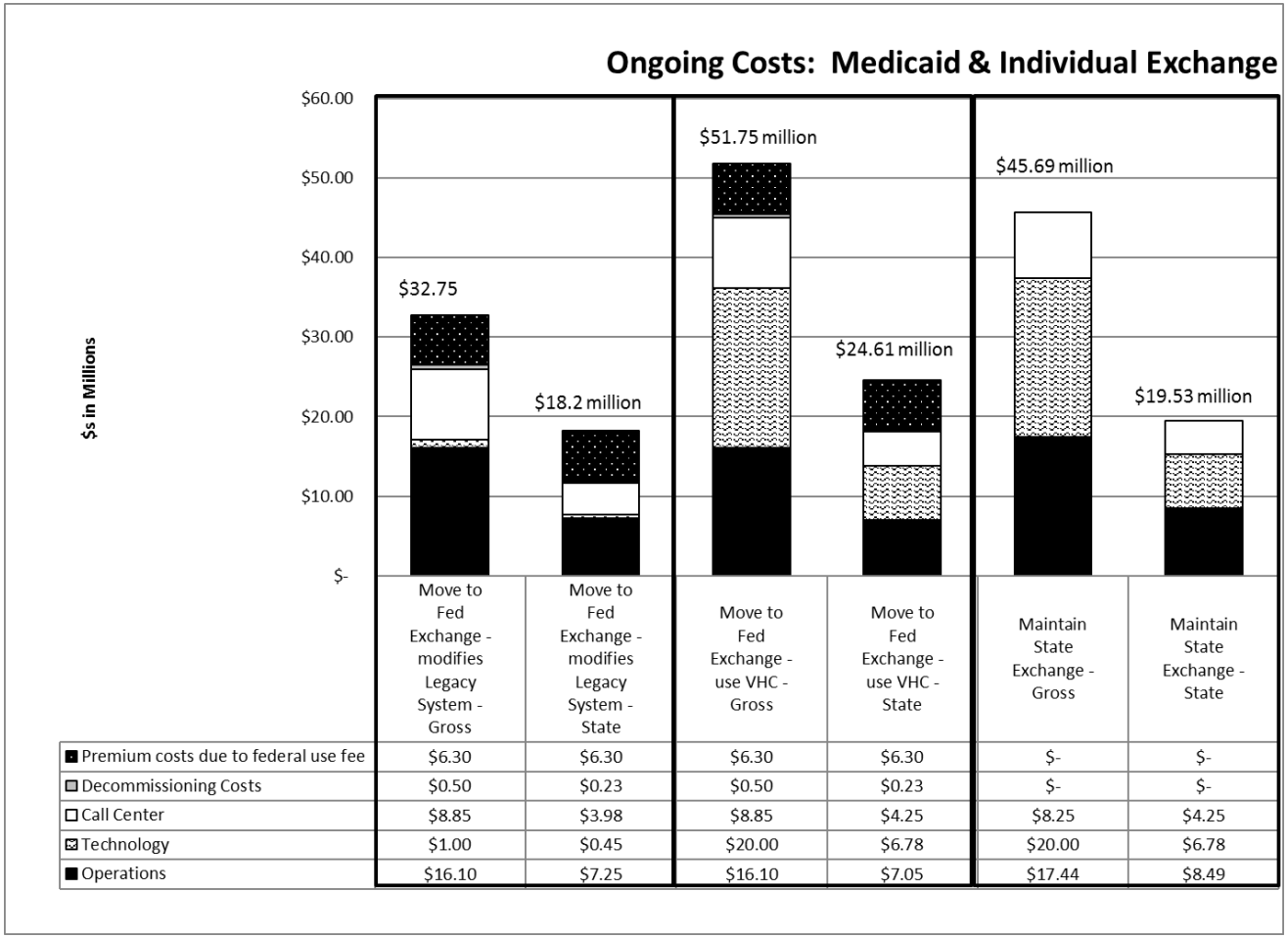
VHC v. Using Federal Technology (in Millions)



	Move to Fed Exchange - modifies Legacy System - Gross	Move to Fed Exchange - modifies Legacy System - State	Move to Fed Exchange - use VHC - Gross	Move to Fed Exchange - use VHC - State
Decommissioning Costs	$5.00	$2.25	$5.00	$2.25
Education & Outreach	$2.00	$0.90	$2.00	$0.90
VPA & VCSR Eligibility Technology	$3.00	$1.35	$-	$-
System Rebuild Duplication	$20.00	$9.00	$-	$-
Medicaid Information Technology - Average	$35.00	$3.50	$2.50	$1.13
Gap Analysis - Average	$15.00	$6.75	$15.00	$6.75

Operating Costs By Type

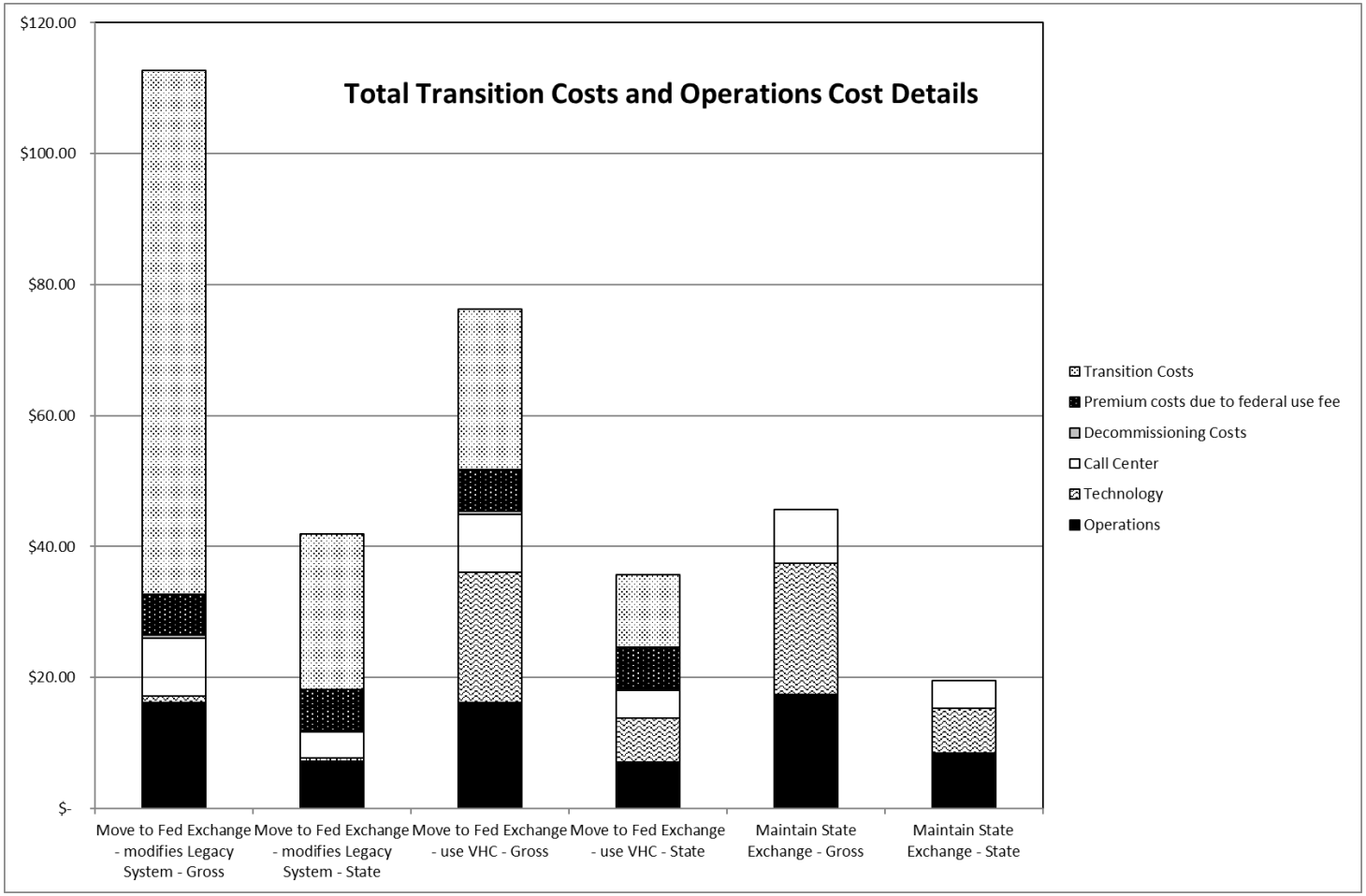
VHC v. Using Federal Technology (in Millions)



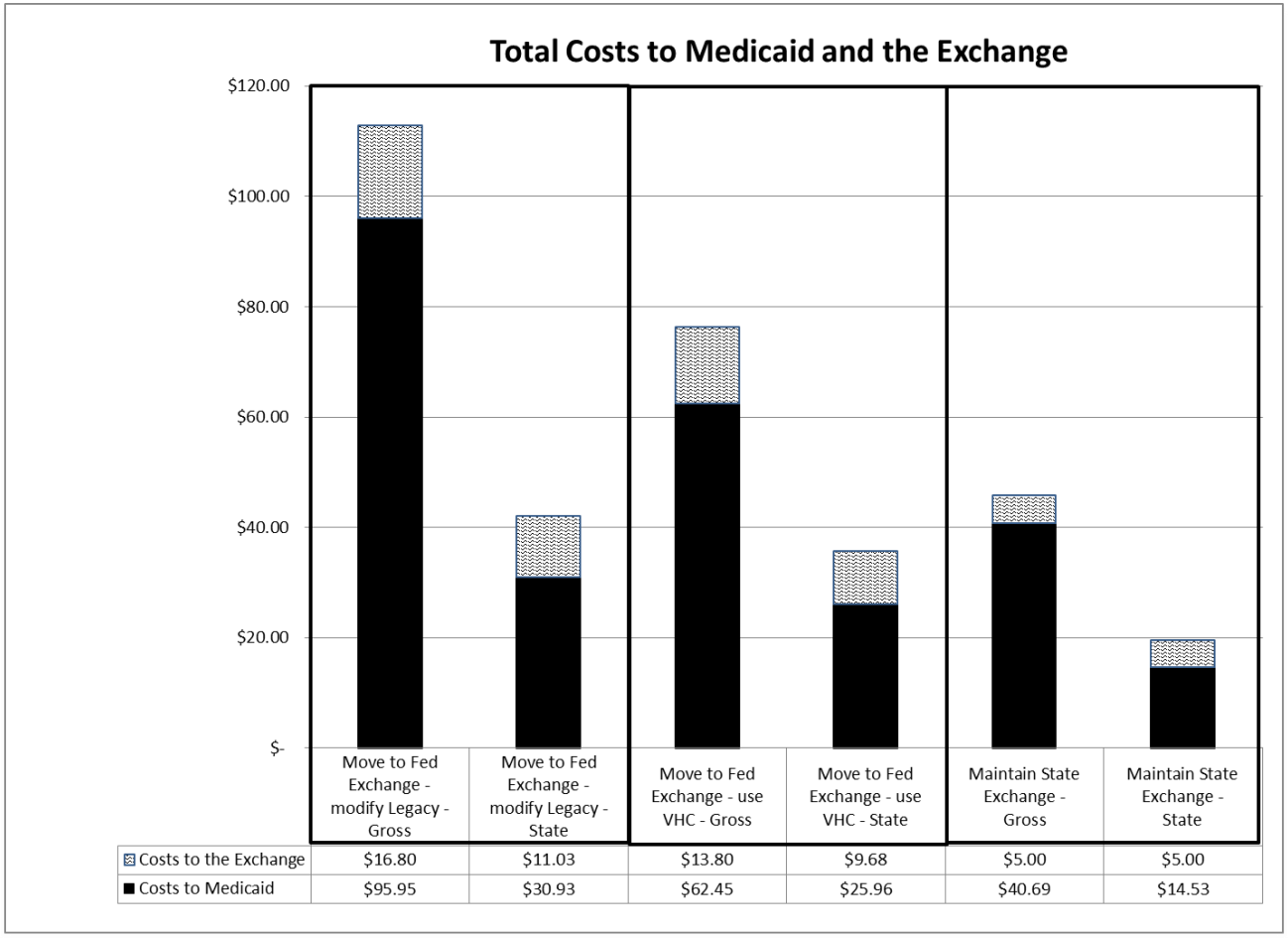
	Move to Fed Exchange - modifies Legacy System - Gross	Move to Fed Exchange - modifies Legacy System - State	Move to Fed Exchange - use VHC - Gross	Move to Fed Exchange - use VHC - State	Maintain State Exchange - Gross	Maintain State Exchange - State
Premium costs due to federal use fee	$6.30	$6.30	$6.30	$6.30	$-	$-
Decommissioning Costs	$0.50	$0.23	$0.50	$0.23	$-	$-
Call Center	$8.85	$3.98	$8.85	$4.25	$8.25	$4.25
Technology	$1.00	$0.45	$20.00	$6.78	$20.00	$6.78
Operations	$16.10	$7.25	$16.10	$7.05	$17.44	$8.49

Total Cost Comparison By Type:

VHC v. Using Federal Technology (in Millions)



Total Cost Comparison By Funding Sources:
VHC v. Using Federal Technology (in Millions)



	Move to Fed Exchange - modify Legacy - Gross	Move to Fed Exchange - modify Legacy - State	Move to Fed Exchange - use VHC - Gross	Move to Fed Exchange - use VHC - State	Maintain State Exchange - Gross	Maintain State Exchange - State
Costs to the Exchange	$16.80	$11.03	$13.80	$9.68	$5.00	$5.00
Costs to Medicaid	$95.95	$30.93	$62.45	$25.96	$40.69	$14.53

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BACKGROUND ON COST ESTIMATES

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Transition Costs for Alternative Technology

- Functional Gap Analysis
  - Required by CMMI to determine whether some technology is re-usable and how it compares to new technology
- Medicaid information technology:
  - Federal Exchange – Medicaid requirements
    - Account transfers from federal technology
    - Website & on-line portal for enrollment now required
    - Screening tool to send people to the right place (FFM or state Medicaid)
    - Need to finish VHC technology to use for MAGI
    - VPA/VCSR would need a separate eligibility system & would require customers to sign up in both systems. System would need to be developed.
  - Other State Exchange:
    - Depends on other state's technology
    - Would likely require modification to Vermont's Medicaid rules
    - Will not have Vermont Premium Assistance/Cost Sharing Reduction capability, so would need to build this
- Carrier Integration & costs will vary depending on capability, likely not large cost
- Education and Outreach to Vermonters:
  - Vermonters will have to reapply to the federal exchange
- Decommissioning Costs
  - Requires archive solution for data, IT systems
  - May also require running parallel systems for 12 to 15 months; this cost is not reflected
  - Must meet IRS & CMS requirements
  - Estimates based on current procurements in other states
  - No state has completed this yet

Operation Costs for Using Alternative Technology

- Federal User Fee
  - 3.5% of gross premiums for FFM
  - Draft federal rules received November 20, 2015 suggest that user fee for SSBM states will be 3.0%. This is not yet final.
- Call Center costs remain for Medicaid & VPA/VCSR
  - Other FFM states reported some increases to Medicaid call centers due to people mistakenly calling the state for federal issues
  - Households with someone covered by Medicaid, Dr. Dynasaur or VPA/VCSR would need to use both federal & state call centers
  - High level of confusion expected for mixed households
- Technology costs remain for Medicaid & VPA/VCSR
- Decommissioning Costs
  - 10 year cost for storing IRS and Exchange data
  - CMS requires ability to pull/change information from the system
  - Does not reflect costs of running parallel systems during transition for 12-15 monhts