RECOMMENDATIONS FOR THE FUTURE OF THE VERMONT HEALTH BENEFIT EXCHANGE

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Prepared by:
Strategic Solutions Group, LLC
(www.ssg-llc.com)

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1 Executive Summary

In the 2016 Budget Bill Act 172[1], the Vermont General Assembly called for an analysis of the Vermont Health Connect (VHC), sometimes also referred to as the Vermont Health Benefit Exchange, regarding the current functionality and long-term sustainability of the technology for Vermont Health Connect. (As a note, for the remainder of this document the "Vermont Health Benefit Exchange" will be referred to as the "Vermont Health Connect"). Over the course of four months ending on December 15, 2016, over 75 interviews were conducted and many historical and current project documents were analyzed. The resulting analysis is broken down into three primary tasks:

- Task 1 assesses whether the current VHC IT system meets the service level expectations of constituents, the Centers for Medicare and Medicaid Services (CMS), or Carriers (e.g. Blue Cross Blue Shield of Vermont or MVP Health Care.
- Task 2 assesses the feasibility and the cost effectiveness of the VHC system over the long-term.
- Task 3 examines alternative solutions to meet the requirements of the VHC.

This Executive Summary provides a summary of the final conclusions for each of these three tasks, the reasoning behind each conclusion, and other critical organizational requirements needed to successfully achieve sustainability.

Summary of Final Conclusions for Each Task

The following identifies the final conclusions related to each of the three tasks: Task 1 operational readiness, Task 2 feasibility and cost effectiveness of the VHC system, and Task 3 an examination of alternatives.

Regarding Task 1 operational readiness, the current VHC system actively supports eligibility determination and benefits provisioning for participants of both Qualified Health Plans (QHP) and Medicaid. Having said that, significant deficiencies exist in the system – deficiencies which have created and will continue to create issues that do not meet the service level expectations of constituents, the Centers for Medicare and Medicaid Services (CMS), or carriers (e.g. Blue Cross Blue Shield of Vermont or MVP Health Care). These deficiencies cause the VHC system to not adequately support all constituents. The Agency of Human Services (AHS), as of September 2016, has received funding to address these deficiencies and is actively working on a plan to resolve them. It is worth noting that based on conversations with other states and independent research, many other states have faced similar challenges with the system implementation and operational support.

Regarding Task 2, it is not feasible or cost-effective to maintain the VHC system, in its current form, over the next several years due to the numerous deficiencies identified in Task 1. However, while the VHC system is not sustainable in its current form, building on it is the most feasible and cost-effective option to achieve long-term sustainability. Multiple factors support this conclusion, including the strong technology foundation of the VHC system and CMS's financial support of plans to enhance the existing VHC system. If executed successfully, the current implementation plans related to Vermont's Integrated Eligibility program will address the current deficiencies of the VHC system. This work, necessary to achieve sustainability, is significant and must be completed within aggressive timelines, thus presenting a risk of failure. However, these risks can be mitigated with strong program governance and project

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[1]http://legislature.vermont.gov/assets/Documents/2016/Docs/ACTS/ACT172/ACT172%20As%20Enacted.pdf

management. While the project work is not without risk, building on the current VHC system is the most feasible and cost-effective technology option to achieve long-term sustainability.

Regarding Task 3 the examination of alternatives to the technology of the current VHC system, six primary solutions were examined: 1) commercially offered solutions, 2) the Federally Facilitated Marketplace (FFM) also known as Healthcare.gov, 3) directing participants to engage with Carriers, 4) modified adjusted gross income (MAGI) in the cloud, 5) reuse of the legacy ACCESS system, and 6) transfer solutions and partnering with other States. These alternative solutions are either only partial solutions, do not support the unique Vermont health benefits policy, or introduce excessive costs or risks. Therefore, none of them should be exclusively pursued in lieu of building on the current VHC system.

In summary, the current VHC system, while operationally ready, still has significant deficiencies that must be quickly addressed to properly serve constituents. However, the current VHC system is built on a strong technology foundation. After examining six possible alternative solutions, the most feasible and cost-effective path for long-term sustainability is to continue to enhance the current VHC system.

Reasoning Behind the Conclusions

The following summarizes the reasoning behind each of the conclusions related to the three tasks of operational readiness, feasibility and cost effectiveness of the VHC system, and an examination of alternative solutions.

Task 1: Operational Readiness.
As mentioned above, the current VHC system serves some constituents well. However, significant deficiencies exist that will continue to create issues for other constituents, CMS, and Carriers. While the VHC project team has made significant progress since last year's Open Enrollment period and successfully supports many constituents, overall it does not meet the expectations or needs of all constituents. The following are some of the high-level deficiencies that must be addressed in the short-term:

- Incorrect data exists within the VHC system, which creates reconciliation issues.
- There are poor data exchange interfaces with carriers and the billing partner, which creates data discrepancies between the different information technology systems of these organizations
- The business processes lack appropriate automation (for example data validation and reporting)
- There are continuing episodes of poor customer support services.

While the current VHC system is operating, the deficiencies identified above are significant and must be addressed to properly serve constituents.

Task 2: Feasibility of the VHC.
The current VHC system, without improvements, is not a sustainable means to properly meet expectations and requirements for servicing health benefits. However, building on the existing VHC system is the most feasible and cost-effective option for achieving long-term sustainability. In support of this conclusion are four key drivers:

1. Vermont's distinct health benefits policy direction
2. The Agency of Human Services (AHS) vision of a shared enterprise eligibility system
3. The strength of the current VHC technology foundation
4. The significant financial support of CMS for the current vision

Each of these is described below.

- **Vermont's Distinct Health Benefits Policy Direction.** Vermont has played a significant and positive role in the history of Health Care Reform and innovation in the United States. For example, the Blueprint for Health, Dr. Dynasaur, Vermont's Global Commitment 1115 Medicaid Waiver, and the All-Payer Model are examples of innovative approaches that have been modeled and/or are being watched closely by other states. Furthermore, currently, Vermont is one of only two states that offer additional exchange subsidies in addition to the federal subsidies or qualified beneficiaries. The analysis of the VHC system assumes that Vermont wishes to continue to be on the forefront of health care reform in this country and is committed to continuing to offer these additional exchange subsidies beyond those of federal policy. This complicates the technology solution and requires some level of custom functionality within the VHC system so building on the existing customized system is desirable.

- **Agency of Human Services Vision of a Shared Enterprise Eligibility System.** AHS has a vision to establish a single technology portal for 'one-stop-shopping' to service all health-care plans and benefits provided to Vermont constituents. This technology vision has many benefits for constituents including, reduced burden of not having to interact with multiple systems, clarity and accuracy regarding benefits eligibility (eligibility related data are captured in a single system), and streamlined service such as customer support. Furthermore, of the approximately 189,000 Vermonters who receive their health care from either Medicaid or QHP plan through the VHC, Vermont received some form of federal matching dollars for over 94% of these beneficiaries under its Medicaid Global Commitment 1115 waiver. The following illustration depicts the high-level breakdown of constituents served by the VHC.
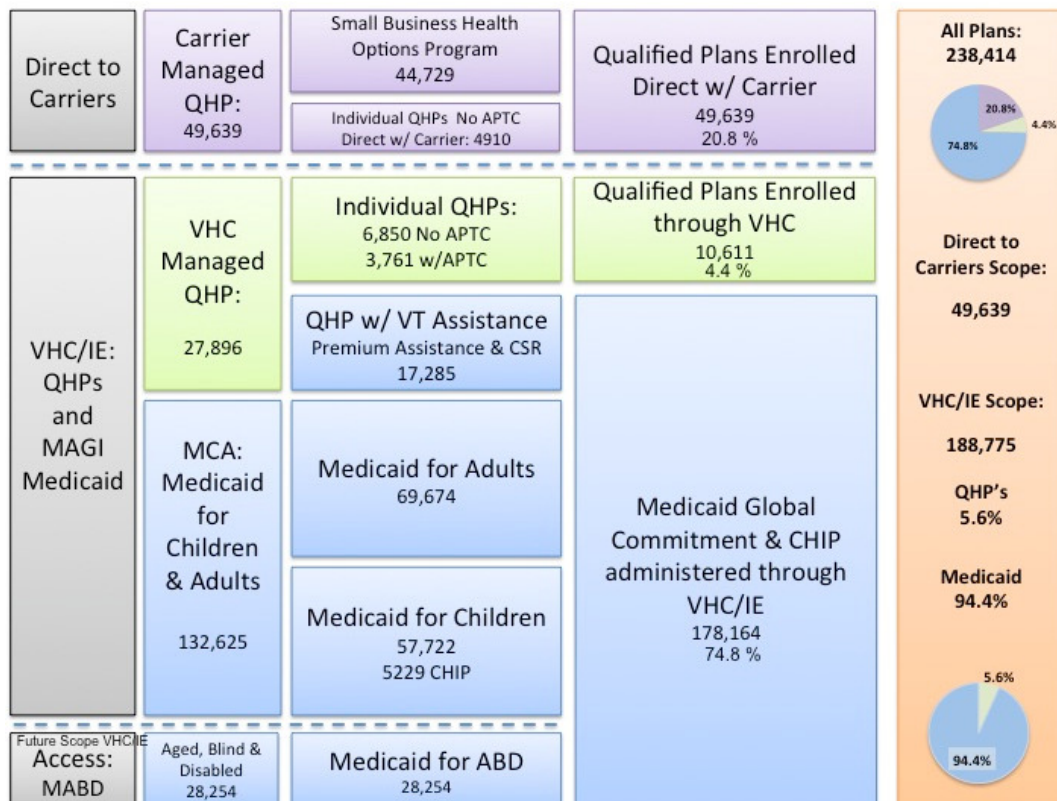
Combined, these two factors (the vision of a single eligibility technology platform and the large proportion of Medicaid supported beneficiaries in Vermont) effectively define the VHC as not only the system to support QHP beneficiaries, but also the system to support Medicaid beneficiaries. This scope of the VHC to support both QHP and Medicaid beneficiaries is a prudent and strategic approach for Vermont from the perspective of system reuse and long-term cost efficiency. However, it does eliminate the ability to utilize some of the examined alternative solutions that target special purposes, such as just supporting QHP participants.

- **Strength of the Current VHC Technology Foundation.** The VHC system is built on robust, proven platform systems, namely the technology product suite built by Oracle. This suite is purchased software that has been integrated and configured to meet the specific needs of the VHC. While there have been past issues with this integration and configuration, the investment in these platform tools presents a strong foundation of performance, scalability, and functionality on which to build.

- **Significant Support from CMS of Current Vision.** In September 2016, the Agency of Human Services (AHS) successfully secured over $62 million of federal funding for the VHC and Integrated Eligibility and Enrollment modularization program for Phase I (**VHC/IE**)[2]. This funding requires a 10% State match of $6.8 million, making the total gross program funding around $69 million. The federal funding expires on September 30, 2018 and was approved based on proposed enhancements to the current VHC system. This recent funding award presents valuable support for Vermont to achieve sustainability. However, it has two important impacts on the identification of the most feasible technology option. First, any deviation from the proposed approach to build on the current VHC system will require re-examination by CMS related to the funding award. Second, the expiration of the funding award on September 30, 2018 creates an urgency to realize value-added improvements to the VHC system within 21 months. Some of the examined alternative solutions, such as wholesale replacement of the VHC technology through commercial solutions or transfers from other States, present risks related to the existing CMS funding award.

The recommendation to achieve long-term sustainability is to build on the existing VHC system and is justified by Vermont's established policy direction, the Agency of Human Services current vision of a shared enterprise eligibility system, the strength of the current VHC technology foundation, and the significant financial support of CMS.

Task 3: Examination of Alternative Solutions.
Six primary alternative solutions were examined as possible alternatives to the current VHC system. None of these alternatives should be exclusively pursued in lieu of building on the current VHC system. However, some of the alternative solutions should receive continued consideration as possible solutions to very particular needs of the VHC. The following chart shows the recommended approach with the current VHC/IE Program in comparison with several alternative approaches across the categories researched.

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[2] IE Phase I will remove OneGate, prepare the system technically for broader use, and will migrate non-MAGI Medicaid programs from the Legacy system. Phase II will include the integration of 41 additional human services programs including SNAP and LIHEAP. Vermont will need to work with the appropriate federal partners and the Vermont legislature to secure the necessary funding for Phase II.

	% of Solution	Technology Change	Business Change	Ease of Transition	Transition Costs	Duration of Change	Operating Costs	Security	Regulatory	Funding	VT Policy	Overall
Current VHC/IE Program	↑	→	↑	↑	↑	→	↑	→	→	↑	↑	↑
Alternatives:												
1. Commercially Offered	→	→	→	→	→	→	↑	↑	↑	→	→	→
2. Healthcare.gov Federal	↓	↓	↓	↓	↓	→	↓	↑	↑	↓	↓	↓
3. Direct to Carriers	↓	→	→	→	→	→	↑	→	→	↓	↓	→
4. MAGI in the Cloud	↓	→	→	→	→	→	↑	↑	↑	→	→	→
5. Reuse of Access	→	↓	↓	↓	↓	↓	↓	↓	↓	↓	→	↓
6. State's Transfer	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	→	↓

↑ Favorable
→ Neutral
↓ Not Favorable
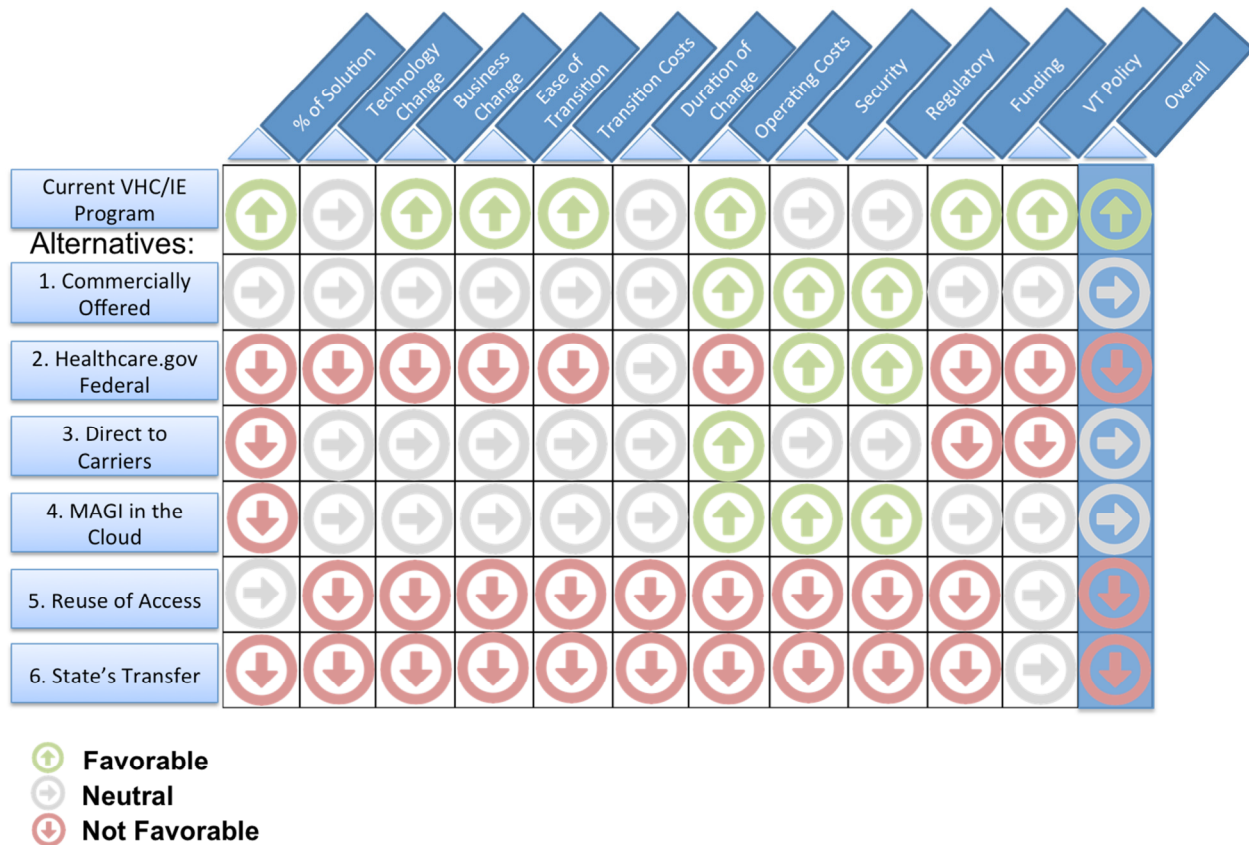
The following describes the analysis of each of the six alternative solutions examined:

1. **Commercial Solution.** A compelling argument to switch wholesale to a commercial solution cannot be made at this time, but Vermont should continue to review products that become available as the market matures. Commercial solutions could present an opportunity to quickly establish proven technology and acquire subject matter expertise in support of specific VHC needs. In examining such solutions, long-term software licensing costs must be considered. However, utilizing proven commercial solutions supported by teams of subject matter experts shortens implementation times and reduces the risks of failure associated with building software solutions from scratch.

2. **Federally Facilitated Marketplace (FFM).** Switching to the Federally Facilitated Marketplace (FFM) has three primary disadvantages: it requires investment to implement, it only addresses the needs of QHP's, and it presents risks should federal support of the FFM wane in the current climate in Washington DC. In short, the FFM as an alternative solution presents little benefit and significant risk.

3. **Direct Access to Carrier.** Directing QHP beneficiaries who do not qualify for state or federal tax credits to engage with Carriers could streamline the current billing processes. This alternative solution presents possible opportunities to streamline only a very particular area of the VHC, namely billing. While this option presents possible incremental improvements to specific needs of the VHC, it also has disadvantages and costs, and is not an alternative solution that could replace the current VHC technology in total.

4. **MAGI in the Cloud.** MAGI in the cloud is a technology service made available at the federal level that could be utilized to determine eligibility for federal health benefits. This alternative solution presents a possible opportunity to leverage an existing service to address a very specific

need of the VHC, namely the algorithm to determine eligibility for federal health benefits. As such, it represents a solution to a very small percentage of the VHC functionality and is not an alternative solution to replace the VHC system in total.

5. **ACCESS.** The legacy ACCESS system, which is built using antiquated technology, will not meet the needs of the VHC or existing federal regulations. CMS has been clear that they will not fund activity that builds on antiquated technology that is not compliant with their standards. As an example, CMS mentioned that older legacy technology often cannot cost-effectively meet the security requirements of CMS. Building on the legacy ACCESS system presents risks related to the technology and the ability to secure future CMS funding in support of both implementation and operations.

6. **Other State's Transfer and Partnering Opportunities.** Switching to a transfer solution from another state could be costly, restrict future independence, and have a similar level of risk as continuing to build on the current VHC system.

Therefore, none of these six alternatives should be pursued as a total replacement of the VHC in lieu of building on the current VHC system. However, commercial solutions, direct access to carrier, and MAGI in the cloud should be considered in the future to address very particular needs of the VHC.

Other Organizational Requirements to Achieve Sustainability

Aside from the technology aspects, throughout the course of the analysis other organizational challenges and related requirements emerged. To some extent, regardless of the technology option pursued, these organizational requirements are critical to the long-term success of the VHC. The following describes at a high-level some of these critical organizational requirements to reduce risk:

- **Program Governance.** The magnitude of required work (~$69M budget), the many organizational entities involved with the VHC program (AHS, Carriers, billing partners, implementation vendors, etc.), and the aggressive timeline (21 months) necessitates quick decision making, consistent accountability, and strong executive level support across all interested parties so that work can proceed expeditiously.

- **Project Planning and Execution.** An intense planning effort must be completed to establish a realistic plan to achieve the current goals of the VHC/IE program. Multiple parallel work streams should be established, priorities should be well understood, work should be broken down into iterations that produce value as soon as possible, and all project dependencies (e.g. procurement processes, etc.) must be understood. A coherent high-level plan must be established so that the many resources needed to successfully execute the project work can be engaged, coordinated, and efficiently utilized.

- **Staff Planning.** The number of expert staff resources currently supporting the VHC is not commensurate with the needs of a program as complex and large as the VHC. Given the importance of the IE program to VHC's long term viability, and considering the September 30, 2018 deadline for funding, Vermont must pursue all channels to engage the appropriate staff resources to execute the program work. Possible avenues to engage staff resources include new procurements for third-party resources, leveraging existing staff augmentation or other contracts, and purchasing commercial solutions to meet particular needs. All necessary procurements should be identified immediately and fast tracked as soon as possible to engage the necessary resources.

- **Contingency Planning to Reduce Risk.** Significant risks exist within the current work plans in support of the VHC system. These risks are driven by the magnitude of the work to be completed, aggressive timelines and the lack of adequate qualified staff resources. Therefore, Vermont must closely monitor progress and have contingency plans available should the current vision not seem possible to achieve. These contingency plans will identify actions that will mitigate and address risks. Such actions may include reducing the scope of the current effort or deploying more turnkey commercial solutions to address particular needs of the VHC.

Conclusion

This analysis resulted in conclusions for the three tasks related to the VHC technology system and also included critical organizational requirements. Regarding Task 1 operational readiness, the current VHC system is not sustainable without continuous improvements. It has significant deficiencies that create issues that lead to a failure to meet expectations for some constituents. Regarding Task 2 and Task 3, after analyzing six alternative solutions, the most feasible and cost-effective technology approach is to continue to build on the strong technology foundation of the current VHC system. Furthermore, from a funding perspective, Vermont has the means to make the required improvements as a result of the $62M CMS award that expires on September 30, 2018. Having said that, the magnitude of work to be done, the aggressive deadlines, and the limited existing staff resources make successfully achieving sustainability highly contingent on urgent action to address critical organizational requirements to improve program governance and engage the staff resources necessary to execute the project.

Regardless of the technology solution, if Vermont does not pursue these organizational requirements, the $62M CMS award may be underutilized and long-term sustainability will not be achieved. There is no easy, "silver bullet", technical solution to achieve sustainability.   Vermont has tremendous opportunity to improve the VHC system. Above all, taking full advantage of this opportunity will require an increased sense of urgency[3]. The commencement of passionate, well-planned, diligent, persistent, and quality work to drive valuable results must be initiated as soon as possible. The new Administration should prioritize this work in order to achieve stated objectives in a timely manner.

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[3] Appendix H: "Proposed Strategic Actions" lists some thoughts related to actions that should be urgently undertaken.