

Project Narrative

New York State has started the evaluation and planning process necessary to establish an American Health Benefit Exchange (Exchange) that will meet the requirements of Section 1311 of the Patient Protection and Affordable Care Act (PPACA or “Affordable Care Act”). Major goals for the initial planning year are to: 1) compile and evaluate background research from current research platforms and private funding by January 2011; 2) engage stakeholders in the evaluation, planning and development process throughout the one-year planning period; 3) evaluate the extent to which New York can or should integrate and build on existing programs, as appropriate; 4) identify and utilize existing resources and capabilities, as appropriate, throughout the one-year planning period and determine the need for additional resources; 5) design Exchange governance structure and draft legislation, if required; 6) evaluate financial accounting, auditing, and reporting requirements and potential pathways to securing compliance; 7) identify existing technical infrastructure resources and needs; 8) create business operations plan and policies for Exchange; 9) identify legislation and regulations needed to create, promote, and regulate the Exchange; and 10) comply with all grant reporting requirements.

Background Research

New York has a strong body of background research on which to draw in planning for the Exchange. New York State, primarily through the Departments of Insurance (DOI) and Health (DOH), consistently prioritizes and funds comprehensive research to understand health insurance coverage and eligibility patterns across the State. DOI licenses and regulates health insurers operating in the State and produces an annual guide to health insurance that provides consumers with quality information about licensed health insurers. DOH provides comprehensive public health insurance coverage to nearly 5 million people DOI compiles data on insurer licensure,

premiums, quality, and enrollee satisfaction data. DOH collects data through the Department's Quality Assurance Reporting System (QARR) and Consumer Assessment of Health Providers and Systems (CAHPS) electronic reporting systems

Private research entities in New York, including the United Hospital Fund and the New York State Health Foundation, also serve important research functions to enhance the State's data. Significant state and private funding in New York has supported considerable research on State-wide health insurance coverage.¹ According to a recent report published by the United Hospital Fund and Urban Institute, there are 2.5 million uninsured non-elderly in the State representing 15% of the population; almost 42% of the State's uninsured are eligible for an existing public insurance program. The State's uninsured population largely consists of working adults and their families.

The research currently available from New York and notable private entities provides substantial datasets and will inform the State's Exchange planning activities. This research will be compiled and evaluated as part of the activities conducted through this grant. New York remains committed to evaluating coverage gains, losses, and shifts in health insurance eligibility as health care reform is implemented.

Stakeholder Involvement

Stakeholder involvement is essential to the success of health reform and planning for the Exchange. DOI, in conjunction with the Governor's Office, DOH and other State agencies (e.g., Department of Labor, Office of Temporary and Disability Assistance, Office of Mental Health, Office of Alcoholism and Substance Abuse Services, Office of Children and Family Services), will engage stakeholders in the Exchange planning process, including the following: health care

¹ New York contracted with the Urban Institute to model the cost and coverage implications of four divergent health reform proposals under the auspices of the Partnership for Coverage initiative. The Urban Institute's modeling report, issued in 2009, included extensive baseline data documenting the health insurance coverage and eligibility landscape in New York. The report and related documents are available on line at <http://www.partnershipforcoverage.ny.gov/>.

providers, consumers, businesses, organized labor, local governments, health plans and health insurers, and health policy experts. Throughout the health reform process, the State has made efforts to encourage stakeholder involvement and to engage the public. Stakeholder involvement will be promoted through the allocation of significant grant funds to support several activities. Specifically, New York will hire one staff person dedicated to stakeholder outreach, support travel of grant-funded staff to engage with stakeholders, provide sign-language interpretation and/or other disability accommodations as required, rent facilities to host stakeholder meetings as needed, and communicate with stakeholders using written materials and audiovisual technology.

New York State Governor David A. Paterson has created a Health Care Reform Cabinet (Cabinet), which consists of representatives from state agencies, and is creating a Health Care Reform Advisory Committee (Advisory Committee), which will include organizations representing health care providers, large and small businesses, disability rights advocates, consumers, organized labor, local governments, health plans/insurers, and health policy experts. The Advisory Committee will advise the Cabinet on reform provisions and ensure stakeholder engagement in all aspects of federal health care reform. In addition, project staff, in conjunction with subcontractors, will work with the Governor's Office to establish work groups of the Advisory Committee to focus on specific issues, such as the Small Business Health Options Program, the Navigator Program, the Basic Health Program, and financial sustainability. Additional organizations with expertise will be invited to join these work groups.

In addition to the work of the Advisory Committee, the State will partner with several organizations to launch an outreach and education campaign that will promote public awareness and

engagement from additional stakeholders. The State also intends to use creative efforts, such as internet-based strategies, to reach young individuals and gain their input on the Exchange.

Public forums across the State will be held to provide opportunities for further stakeholder input. Funding from this grant will be used to hold these public forums on health care reform, particularly the Exchange. Funding will include making the forums accessible for people with disabilities. Alternative methods to include individuals who are unable to attend these forums will also be examined.

The New York State Legislature participates in the implementation of health care reform through monthly meetings organized by the Deputy Secretary for Health, Medicaid and Oversight. These meetings provide opportunities to inform the legislators of current activities and gain their perspective on planning for the Exchange and provisions within health care reform that will require legislative action.

Program Integration

New York has been “ahead of the curve” with respect to many of the core elements of federal health reform: public coverage expansions and simplifications (coverage for childless adults, continuous coverage for children, mail-in renewal with reduced documentation, elimination of the asset test); private health insurance reforms (guaranteed issue, community rating); quality initiatives (“Pay for Performance” incentives based on quality assurance reporting requirements, QARR); and other system reforms (managed care expansions, “medical homes”). The Health Care Reform Act of 2000 created the Healthy NY program, which DOI oversees. The program created a health insurance product for vulnerable small businesses, sole proprietors and low-income individuals meeting certain eligibility criteria. The Healthy NY program is a unique approach to addressing the problem of the uninsured. New York is continually working to identify the best available options to build on and further strengthen the robust foundation of its Medicaid and CHIP programs, which

currently provide coverage to nearly five million New Yorkers. These initiatives have established an infrastructure for New York to successfully plan and build toward the Exchange.

One benefit to creating the Exchange will be the opportunity to effectively align and harmonize the Exchange with reforms and initiatives already underway or in process over the next several years and with the new federal health reform requirements and opportunities. Key pending DOH initiatives in New York include a statewide Enrollment Center (EC) to assist eligible Medicaid enrollees with telephone and mail-in renewal options starting in 2011, utilizing an automated eligibility decision tool, development and implementation of a plan for state assumption of responsibility for Medicaid administration by 2015, and completion of a pending “Functional Roadmap” assessment of the “as is” and “to be” technology capacities and needs regarding eventual replacement of the state’s health and human service legacy eligibility systems. Key insurance initiatives include reinstating DOI’s authority to prior review and approve premium rates, expanding insurance options for young adults, extending a 36-month state continuation benefit, and increasing consumer protections for those purchasing health insurance products.

New York is simultaneously poised to implement other coverage simplifications and expansions to help further Exchange goals (e.g., continuous coverage for adults, coverage under the new high risk pool), and is working to develop implementation strategies to leverage other recent federal options that will facilitate Exchange eligibility determinations (e.g., express lane eligibility, Social Security Administration citizenship matching) available under Children’s Health Insurance Program Reauthorization Act. New York will integrate the Exchange with the extensive consumer protections applicable to insured products issued in New York State.

New York requires federal support for its implementation planning process to help align the various efforts, better realize the significant potential of the Exchange(s), and seamlessly integrate and facilitate enrollment in available public and private coverage options by 2014. Most critically,

New York's planning process will identify the specific technology and system capacities and needs, along with personnel and other resource needs required for a successful Exchange. The Exchange must be able to quickly expand coverage options and access for millions of uninsured New Yorkers, particularly adults and children who are eligible for public coverage and/or subsidies for private coverage and those with special health care needs.

Resources and Capabilities

In undertaking its Exchange planning activities, New York State will utilize current staff of both DOI and DOH, as needed. DOI has been in continuous operation since 1860 and is responsible for supervising and regulating all insurance business in New York State. The agency has nearly 1,000 staff located at offices in New York City, Albany, Buffalo, Rochester, Syracuse, Oneonta, and Long Island. Its Health Bureau has regulatory authority over all aspects of the fiscal solvency and market conduct of 104 insurers in the State. DOH promotes and protects the public health of the state's 19 million residents through the provision of public health insurance coverage, and through collaborations with all local health departments, including the New York City Department of Health and Mental Hygiene, as well as thousands of health care providers, hundreds of community based organizations, and other partners. DOH also has regulatory authority over managed care organizations, including Medicaid managed care. In the past two fiscal years, however, both agencies have experienced reduced staffing levels due to retirements and restrictions on hiring and back-filling vacant positions. Therefore, New York will use grant funding to hire new personnel and support external consultants dedicated to the Exchange planning activities described herein. The personnel will be employed by Health Research, Inc. (HRI), which will subcontract with DOI.

HRI was incorporated in 1953 under the provisions of the Membership Corporation Law and now comes under the purview of the Not-For-Profit Corporation Law. Its primary mission is to

supplement and extend the programs of DOH and the Roswell Park Cancer Institute (RPCI) through attracting and competing for extramural grants, gifts, bequests, donations, and other external funds. The Corporation also provides these services to select other clients when the sponsored research is consistent with HRI's mission. HRI is an independent, not-for-profit corporation, qualified under Sec. 501(c)(3) of the IRS code. There are two operating divisions; the Roswell Park Division for RPCI and the Albany Division for the rest of the State. The main corporate offices are in Albany. HRI is governed by a self-perpetuating board of directors and has its own governance policies.

HRI provides scientists and public health professionals with a specialized vehicle through which they can successfully compete for grants and supplement their research and public health programs without requesting additional resources from the State. The flexibility, speed, and technical expertise provided by HRI are essential to obtaining external grant funding in a highly competitive environment. To date, HRI has assisted DOH and RPCI in attracting over \$7 billion in external funding to New York State. HRI is highly accountable, and its business and grant activities are closely monitored. As a condition of accepting grant awards from external sources, HRI is required to follow specific sponsor terms and conditions associated with project funding.

Specifically, New York will use grant funds to hire five new personnel: one project manager to oversee planning activities, two policy analysts, one stakeholder outreach coordinator and one project assistant (see Budget Narrative and Budget Worksheet). Each of these five new staff will have distinct duties to meet the planning goals outlined in this narrative. In addition to hiring staff, New York will use grant funds to hire consultants or external contractors to assist with Exchange planning activities. Consultants or external contractors will be able to draw upon their expertise to help New York plan the Exchange. Although not specifically identified yet, New York will pursue contracts with external entities capable of providing comprehensive multi-layered expertise

regarding strategic planning, legislative considerations, market impact analysis, business operations development, and other topics as they are identified.

New York aggressively seeks grant funding from federal and private sources and will continue to apply for opportunities as they arise to provide funding for developing the information technology (IT) infrastructure needed to operate the Exchange. New York has invested heavily in developing the necessary IT infrastructure to implement health reform (i.e., the Health Care Efficiency and Affordability Law for New Yorkers Capital Grant Program (HEAL NY) has helped establish regional health information organizations (RHIOs)) and is recognized as a national leader in health information exchange. New York recognizes the need to assess current IT resources and may use grant funds to plan an information technology platform capable of meeting the federal requirements, which include providing information on prices, quality, and physician and hospital networks of qualified plans to allow for comparative one-stop shopping, as well as other technology requirements specified in the legislation.

Governance

A series of threshold governance considerations are central to Exchange planning. New York will examine options for housing the Exchange in a state agency, a quasi-governmental agency or authority, or establishing an independent non-profit organization. New York will also consider how the Exchange will be staffed and funded, whether the Exchange will follow a clearinghouse model or be an active purchaser in regards to Qualified Health Plans (QHPs), whether the Exchange will be statewide or regional, and how the Exchange will be regulated, among other items.

To examine these questions, the State will use the grant funds to hire full-time dedicated employees and consultants (see “Resource and Capabilities,” above). These employees and consultants, along with existing staff in the Governor’s Office, DOI, and DOH, will analyze the

major factors in determining the Exchange governance and the advantages and disadvantages of different options. Key personnel will also review existing state resources and capabilities, as well as underlying policy concerns, legal and regulatory concerns, potential fiscal impact on the State, potential market impact, and other questions. The goal of this analysis will be to produce recommendations to the Governor's Office and the Governor's Health Reform Cabinet on the governance structure of the Exchange and any necessary enabling legislation to form the Exchange. The staff will also assist in drafting legislation, if necessary.

Depending on the type of governance structure, the State will also examine requirements related to the governance structure, such as the composition of a governing board, the appointment and hiring processes, and the type of infrastructure and IT needed to support Exchange functions. This planning will focus on ensuring the Exchange will accomplish its core functions of implementing procedures for certification, recertification, and decertification of QHPs; providing for the operation of a toll-free telephone hotline to respond to requests for assistance; maintaining an Internet website containing standardized comparative information on QHPs; assigning ratings to each QHP offered through the Exchange on the basis of relative quality and price, in accordance with criteria as defined by the Secretary; utilizing a standardized format for presenting health benefits options in the Exchange; consistent with requirements in Section 1413 of the Act, informing individuals of eligibility requirements for the Medicaid and CHIP programs or any applicable State or local public program and enrolling individuals in those programs if the Exchange determines they are eligible through screening of the application by the Exchange; and establishing and making available by electronic means a calculator to determine the actual cost. This analysis will help inform future planning and implementation needs, such as whether consultants or staff are needed, whether requests for proposals will be issued, and what the State's specific needs will be for the forthcoming implementation grants.

Throughout this research, analysis and recommendation period, stakeholders, the Governor's Health Care Reform Cabinet and Advisory Committee will be consulted regularly.

Finance

Financial planning will include anticipating Exchange-based compliance with PPACA and development of management structures and tools to be used internally by the Exchange. New York will also develop a plan to assess its current insurance accounting and auditing standards and procedures to determine their applicability to the operations of the Exchange, and to meet its statutory obligations under PPACA Section 1313(a) to ensure accurate accounting of all activities, receipts, and expenditures and annually submit to the Secretary a report concerning such accountings.

As part of its effort to ensure transparency of Exchange operations and as outlined in Section 1313(a)(7) of PPACA (which mandates publication of the average costs of licensing, regulatory fees, and any other payments required by the Exchange and the administrative costs of such Exchange on an Internet website) DOI will develop a plan to explore the data systems and capacity necessary to facilitate the reporting of this data. Specifically, DOI plans to: (1) assess its current financial systems and explore other financial systems that might facilitate annual audits of the Exchange by the Secretary contemplated by PPACA; (2) assess the adequacy of current data security and back-up systems; (3) make a determination of whether a third-party review of all systems of internal control is needed.

Technical Infrastructure

The State's technical infrastructure planning efforts must enhance coordination of the eligibility and enrollment functions that are currently performed within the Medicaid and CHIP programs with those that will need to be performed-for both public and private coverage options and for newly expanded and existing populations-as part of the new Exchange. To achieve such

enhancements, the State will assess the needs and capacities and develop options and a detailed work plan focusing on program eligibility, enrollment, subsidy application and mandate exemption/exception determination rules and processes.

In addition, once developed, the new health information technology (HIT) enrollment standards must be assessed for implementation to effectuate simpler, seamless, streamlined, and “paperless” enrollment and renewals that span the range of public/private coverage options and environments (phone, mail, on-line, in person), and to address the need for integration of, for example, new functionalities, increased volume, notices and communications. When exploring these options, the State plans to rely on an independent assessment of Exchange IT infrastructure requirements and existing New York eligibility and enrollment legacy systems. This independent evaluation is anticipated to be undertaken by consultants retained by the New York State Health Foundation, starting in fall 2010. This assessment will include a review of the system needs required by Federal reform, the functionality of New York State’s legacy systems, and recommendations regarding how the legacy systems might be modified or new systems built to meet Exchange requirements by 2014. It also may be necessary to develop new systems that facilitate automation to the extent possible.

In addition to processing telephone renewals, preliminary plans call for a statewide Enrollment Center (EC) to consolidate consumer calls and help respond to consumers’ questions and issues regarding eligibility and enrollment in coverage options. The EC will provide an important “learning laboratory” to understand the new systems and/or interfaces that will be required for successful Exchange operations. Lessons learned from the EC, as well as from other health insurance and managed care hotlines and websites operated by DOH and DOI, will inform the planning process for similar, newly mandated Exchange functions including the “web portal.” A web portal will be essential in order to provide standardized and comparative information on

eligibility and coverage options. Planning efforts will also include consideration of partnerships with community organizations to facilitate consumer education and gain public input into the Exchange planning process, as well as identification and implementation of policies and procedures to ensure data security and protect consumer privacy.

Business Operations

The State's plan for business operations must incorporate PPACA requirements with cost-effective, well-managed and accountable procedures. As part of its planning activities, the State will identify core capabilities necessary to operate an Exchange and critical risk factors to be managed. To ensure a successful Exchange, a comprehensive and multi-faceted approach must be taken in the development of an overall business plan and plan of operation. Both staff and external consultants will address business operations considerations.

In planning the business operations of the Exchange, the State will use DOI and DOH expertise as well as that of various stakeholders. New York is mindful of the requirement that the Exchange be self-sustaining by 2015. PPACA also requires specific functions to be performed by the Exchange, which will be explored during the planning phase, including determining eligibility, administering cost-sharing assistance and premium credits, communicating with employers concerning employee eligibility for premium tax credits, administering the individual responsibility requirement, and transferring certain data to the Secretary of the Treasury, among other things. Business operations planning will also detail how specific Exchange functions may be carried out by existing staff, new staff, and expert consulting resources.

The State will also build on current programs to help plan for the Exchange to certify QHPs. As federal rules and guidance concerning certification become available, procedures for ensuring compliance will need to be developed and modified. PPACA also requires the Exchange to rate QHPs and make available quality rating results and enrollee satisfaction data. DOI currently

produces an annual *Consumer Guide for Health Insurance* that ranks insurance providers based on the following criteria: consumer complaints, filed grievances, appeals of Utilization Review decisions, reviews of medical necessity, and enrollee satisfaction. Insurance company ratings rely on DOH data reporting systems that compile consumer complaints and track HMO service and quality performance (e.g., QARR and CAHPS). These established datasets will continue to be a resource for assessing insurance quality and enrollee satisfaction for the Exchange. An examination of other health insurance programs may assist in incorporating existing best practices and procedures.

Exchange planning must also address adequate accounting and tracking of spending in order to provide transparency for Exchange functions. Some Exchange operation functions include the following: creating procedures for the intake, tracking and processing of applications; determinations of eligibility and cost sharing for subsidized individuals in various coverage options; accurately pricing coverage for individuals, families and employer groups; as well as tracking/managing customer service. The State will review each of these business operations to ensure compliance with the PPACA requirements and that operations will be conducted in the most efficient, cost effect manner.

In order to guarantee the secure implementation of the above processes, the need for data security, internal control systems, external audit readiness, ensured integrity of third-party systems, and prepared emergency backups systems and processes will be evaluated and options will be developed as needed.

Regulatory or Policy Actions

New York will begin its initial planning and analysis to determine the legislative, regulatory, and policy actions necessary to support the Exchange's structure and functions. During the grant period, New York will also work to identify statutory and regulatory changes, including any

changes needed for the Medicaid program and/or the relationship between Medicaid and the Exchange. These plans will be supplemented once additional guidance is provided by the Department of Health and Human Services.

The exact scope of necessary legislative and regulatory action will depend on the governance structure chosen for the Exchange (see “Governance,” above). The State will consider the advantages and disadvantages of each option and analyze the impact on legislation and sustainability. If New York elects to enter into an agreement with an eligible entity to carry out the responsibilities of the Exchange, the timeframes and requirements of New York’s procurement process will need to be factored in. Governance structure of the Exchange and/or requirements relating to the governing board will also need to be developed. In addition, New York will analyze whether it is more efficient to establish separate Exchanges for qualified individuals and small businesses or whether to merge the individual and Small Business Health Options Programs (SHOP) Exchanges, given the existing health insurance marketplace in New York. New York will pursue legislation and corresponding regulations required to effectuate any of these options.

The State will also need to review and possibly amend existing New York laws and regulations that address standards for marketing, network adequacy, access to care, quality assurance, standardized forms and related areas to ensure that they do not prevent the application of the Federal standards. As permitted under PPACA, New York will maintain consumer protections that go beyond the Federal standards. New York will also review existing mandated benefit requirements that exceed the essential health benefits package required for the Exchange and consider whether the existing requirements should be maintained and whether the mandates should only apply to coverage outside the Exchange or both inside and outside the Exchange. The impact on the existing marketplace, consumer protections and potential for adverse selection will be analyzed, and statutory and regulatory changes may be needed.

New York State is an innovator with respect to many of the core elements of federal health reform, has made a substantial investment in health information technology, possesses the necessary infrastructure, and is well positioned to pursue the task of planning and establishing the Exchange.