

Project Narrative

The New York Health Benefit Exchange (Exchange) is pleased to submit this request to the Cooperative Agreement to Support Establishment of the Affordable Care Act's Health Insurance Exchange for Level 2 funding. In accordance with the Affordable Care Act (ACA), each state is to have an Exchange to serve the individual and small group insurance markets by providing choices in insurance coverage. The Exchange will provide insurance coverage through an online portal that is designed to be consumer-friendly to facilitate the comparison of the health plan options in a simple and consistent manner. New York has ambitiously completed the planning and designing phases and is entering the phases to develop, test and implement. The Exchange needs to be ready for open enrollment by October 2013. On October 26, 2012, New York submitted its Blueprint application to HHS to operate a state-based Exchange.

The Project Narrative provides a brief overview of the milestones that have been accomplished (Section A), an overview of the Exchange Activities related to this funding request (Section B), followed by answers to several questions that the funding application requires which address the strategic approach to accomplishing the broader project goals.

A. Discussion of Existing Exchange Planning and Exchange Establishment Progress

1. Key Findings of Background Research

New York has completed a significant amount of background research and continues to assess market reform impacts during the Exchange establishment process. The research findings have been presented at stakeholder meetings and a series of regional advisory committee meetings across New York State. The key research findings to report include:

- Completed ***The Coverage and Cost Effects of Implementation of the Affordable Care Act in New York State***. Based on data from the Urban Institute Health Insurance Policy Simulation Model, estimated the impacts of health reform implementation in New York:
 - One million people will gain insurance, reducing the percentage of uninsured from 16 percent to 10 percent
 - Exchange enrollment is estimated to be 1.1 million people
 - Premiums are expected to decline in the small group and non-group markets
 - Individuals and small businesses who purchase through the Exchange will receive \$2.6 billion per year in federal tax credits and cost sharing subsidies
 - Savings of \$2.3 billion per year in state Medicaid spending due to enhanced federal support for coverage of childless adults.

This report also included analysis of the costs, benefits, and impact of the ***Basic Health Program***. The analysis showed the:

- The potential for significant state savings due to inclusion of immigrants who are covered at state-cost today; and the potential to improve the continuity of coverage as people's income change because many of the same plans could be in both Medicaid and the BHP.
 - There would only be a modest reduction in Exchange enrollment.
 - However, there is uncertainty due to lack of federal guidance; specifically the calculation of the federal subsidy.
- Completed the ***Essential Health Benefits*** analysis and notified CMS of New York's selection of a benchmark plan that meets the EHB requirements:

- NYS has selected the largest small group plan in the state as the benchmark plan
- NYS has also indicated the coverage areas in which benefits will be supplemented to meet the ACA requirements. The areas include: (1) Pediatric Dental/Vision; (2) Habilitative Services; (3) Mental Health/Substance Abuse Parity; and (4) Removal of Annual/Lifetime Dollar Limits
- Completed the **Benefits Standardization Study**, which analyzed the existing range of benefit variation in the state’s small group market and offered insight for developing specifications for certifying QHPs in the SHOP:
 - Very broad dispersion of the types of health plans and level of cost-sharing
 - Vast majority are sold through brokers
 - Many different cost-sharing designs in small groups – each of some 14,500 plan designs serve less than 500 employees
 - 48% of enrollment falls within 2% of the four ACA-prescribed actuarial values (e.g., bronze, silver, etc.)
 - Recommended consideration of standardized benefits in the Exchange around popular plans
- Completed the **Business Plan of Operations** report in June 2012 which provided an overview of the business functions that must be established, the type of work that must be undertaken by the Exchange staff, and a relative timeline for setting up the Exchange.
- Completed the study, **The Role of Producers and Other Third Party Assistors**. This report evaluated the current role of producers within the small group market, some highlights include:
 - Producers are responsible for 88% of the small group enrollment
 - Individual market is generally not assisted by producers
 - Almost all producers act as a clearinghouse for initial and renewal enrollment applications
 - Small business tax credit usage is very low
- Completed the **Risk Adjustment and Reinsurance Under the ACA** report in June 2012. The report finds that most risk adjustment models produce similar results – there is no clear advantage to one model over another; that many insurers are familiar with the federal model used for Medicare; recommended that New York administer the reinsurance and risk adjustment programs, in part, because of the state’s experience with risk mitigation programs. Policy decision was made to defer administration of risk adjustment to the federal government in 2014 and 2015 and to re-evaluate the decision when the All Payer Database is operational.

Several of these and additional Exchange policy studies have been undertaken with consultant assistance supported by the Robert Wood Johnson Foundation (RWJF) through New York’s participation in RWJF’s State Health Reform Assistance Network. These include an examination of 1) the role of third party assistors, including Navigators; 2) Benefit Standardization in New York’s Exchange; 3) Risk Adjustment and 4) how public programs should be integrated with the Exchange.

Additionally, research has been conducted through private organizations that are committed to advancing the reform of health care such as the United Hospital Fund (UHF) and the New York State Health Foundation (NYSHF). State government officials work closely with these and other organizations. Also, a report by the Community Services Society of New York (CSS) and Empire Justice Center, supported by NYSHF, was published that describes, 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. These reports are available at www.healthcarereform.ny.gov/research_and_resources.

New York’s background research continues to inform the Exchange on how best to provide coverage and options for residents.

2. Legal Authority and Governance

On April 12, 2012, Governor Cuomo issued an executive order, which authorizes the establishment of the New York Health Benefit Exchange (Exchange). The Executive Order creates the Exchange to be within the Department of Health (DOH) and directs the DOH to work in conjunction with the Department of Financial Services (DFS) and other state agencies to take all steps necessary to effectuate the Exchange. Further, the Executive Order requires the Exchange to:

- Facilitate enrollment in health coverage and the purchase and sale of qualified health plans
- Enable eligible individuals and small businesses to receive federal tax credits
- Convene regional advisory committees to provide advice and make recommendations
- Become financially self-sustaining by January 1, 2015 as required by the ACA

3. Consumer and Stakeholder Engagement and Support

New York recognizes the importance of engagement with a wide range of stakeholders in the planning and implementation of the Exchange and is fully prepared to meet federal requirements related to these activities. New York has included stakeholders in the Exchange planning process since the passage of the law in 2010.

A summary of the Exchange stakeholder activities is below.

Stakeholder Meetings

For the past 18 months, the State has convened meetings with large groups of stakeholders representing all sectors – consumer advocates, health plans, small business, producers (agents and brokers), health care providers, health policy experts, members of Tribal Nations and others. Six topic specific stakeholder meetings were convened on the following topics to gain further input:

- Simulation Modeling – On February 2, 2012, Urban Institute presented NYS specific modeling results showing the changes in coverage and costs assuming a standard implementation of the ACA, various policy options and the Basic Health Plan.
- Business Operations Plan – On February 16, 2012, Wakely Consulting presented a detailed plan of operation showing the major tasks and core business processes that need to be completed to implement the New York Health Benefit Exchange.
- The Role of Third Party Assistors – On March 14, 2012, Wakely Consulting presented the results of their “landscape” study of the role that insurance agents, brokers, chambers of commerce and business associations play in today’s small group insurance markets.
- Risk Adjustment and Reinsurance Programs – On May 11, 2012, actuaries from Wakely Consulting presented their analysis of various options for implementing the risk adjustment and reinsurance provisions of the ACA in New York. (Two additional meetings were hosted by the NYS Health Foundation on this topic.)
- Essential Health Benefits – On March 22, 2012, Milliman Consulting provided a primer on the basics of Essential Health Benefits, followed by a presentation of the results of their analysis of the ten Essential Health Benefits benchmarks options available to New York on August 2, 2012.
- Health Disparities – On September 7, 2012, a panel of national and New York State experts presented on health disparities based on disability, sex, race and ethnicity and sexual orientation.

Regional Advisory Committees

Governor Cuomo’s Executive Order establishing the Exchange called for the convening of Regional Advisory Committees “consisting of consumer advocates, small business consumer representatives, health care providers, agents, brokers, insurers, labor organizations and any other appropriate stakeholders, to provide advice and make recommendations on the establishment and operation of the Exchange, including recommendations about relevant regional factors, and shall provide opportunities for public input on such matters.”

In August 2012, approximately 200 individuals representing various constituencies from across the state were named to serve on one of the following five Regional Advisory Committees:

- Western New York
- Central New York/Finger Lakes Region
- Capital/Mid-Hudson/North Country
- New York City (5 boroughs)
- Long Island

Each of the five regional committees met during the month of September in meetings that were webcast and open to the public. Committee members were asked to provide advice and make recommendations on the following policy and Exchange related issues:

- Merger of Individual and Small Group Markets
- Small Group Size Starting in 2014
- Risk Adjustment and Reinsurance
- The Role of Insurance Producers
- Criteria for the Navigator Program
- The Basic Health Plan Option
- The Process to Certify Qualified Health Plans
- Essential Health Benefits

The advice and recommendations received during these meetings was compiled and disseminated to Committee Members. This advice was considered in developing the many of the documents submitted in the establishment review process.

In November, New York convened the Regional Advisory Committees for two webinars to present the UX 2014 prototype of the user interface for the individual Exchange. The purpose of the webinar was to solicit feedback from stakeholders on the design of the final interface.

Going forward, the Regional Advisory Committees will meet every 4-8 weeks. The next meeting is scheduled for November 29 and will be dedicated a discussion of the SHOP.

Informational Website

The State's federal health care reform website, www.HealthCareReform.ny.gov, and implementation update emails continue to serve as a consistent resource for sharing information regarding implementation with stakeholders. The website is updated continuously to include new developments of the Exchange planning process, information regarding grant applications and awards, as well as available contractual opportunities. These updates are regularly shared with a stakeholder audience of nearly 500, which includes the 200 Regional Advisory Committee members as well as a range of other state and external stakeholders. With the support of the Robert Wood Johnson Foundation State Health Reform Network, the informational website has undergone a redesign to make it more user-friendly. Launch of the redesigned website is planned for early December.

Outreach to Tribal Nations

New York has eight federally recognized tribes within its borders as well as the American Indian Community House (AICH), which offers services to American Indians and Alaska Natives (AI/AN) from all areas of the country. For more than a year Exchange staff has been in individual and large group discussions with health directors and other representatives from several of the tribal nations and AICH. These meetings have focused on rights afforded AI/ANs under the ACA (increased cost-sharing protections, exemption from mandate penalties, special enrollment periods) and the systems implications for the Exchange as it seeks to make sure that these benefits are easily attainable by tribal members. Meetings have also focused on the Nations' interest and concerns regarding the establishment of a Navigator program that meets the needs of tribal members and that Essential Community

Providers for QHP networks include tribal health organizations. Conversations on systems issues regarding how the Exchange will verify membership in a federally recognized tribe have also begun. Representatives from the nations and AICH have been named to serve as committee members in all five Regional Advisory Committees to ensure that these discussions include the perspectives of tribal members. Finally, the Executive Director of the Exchange invited tribal representatives to attend an in-person tribal consultation meeting on October 30, 2012 in Syracuse, New York. (This meeting had to be rescheduled due to Hurricane Sandy.)

Other Stakeholder Consultation

Finally, numerous organizations and associations within our stakeholder community consistently request one-on-one meetings with state staff or ask state staff to attend their meetings to present on Exchange issues and development. These groups represent the range of stakeholders for the Exchange, including consumers, small business, health care providers, insurance agents and brokers and labor organizations. To the fullest extent possible, Exchange staff attends these meetings and events as an opportunity to further engage with stakeholders and hear sometimes varying perspective on issues related to Exchange planning and implementation. In addition, New York is fortunate to have organizations such as the NYS Health Foundation and United Hospital Fund that contribute to the stakeholder dialogue on various aspects of the Exchange by convening stakeholders to discuss critical issues related to the Exchange.

4. Long-term operational costs

New York has prepared a detailed five-year budget of Exchange activities for the 2011 to 2015 period, as well as estimates for 2016. This budget is essential as we prepare for self-sustainability beginning in 2015 and examine options for Exchange revenues.

The total five-year (2011-15) estimated operating budget for New York's Exchange is \$428 million, comprised of:

- Information technology systems costs: \$125 million
- Staff and staff-related costs: \$67 million
- Non-IT contractual costs: \$236 million
 - Customer Service and Back-End Operations
 - Outreach and Marketing
 - In Person Assistors
 - All Payer Claims Database
 - Consumer Assistance Activities
 - IT consultants
 - Third Party Assistor Training
 - Other Contractual Costs

5. Program Integration

Program integration continues to be a cornerstone for the designing of the Exchange IT system. New York is taking a holistic view of integrating new and existing Information Technology (IT) infrastructure and business operations when possible to ensure a seamless and coordinated experience for the consumers.

The Governor's Office continues to hold weekly Exchange Implementation meetings with DOH, DFS and Exchange staff 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.

New York is also working on issues of program integration through work on eligibility and enrollment redesign activities. New York must redesign its current eligibility and enrollment systems and processes to meet the requirements of the ACA and the redesign will result in real-time eligibility determinations and automated

processes to the maximum extent possible. New York has made significant progress on this through JAD sessions; ongoing work of DOH staff and outside consultants; and participation in HHS User Groups on Eligibility, Income Verification, and Application Language and Application/Eligibility Flows.

In addition to agency participation in policy matters, the Exchange also has a multi-faceted strategy for IT coordination with other state and federal agencies and other entities in administering Insurance Affordability Programs (IAPs) and the SHOP. This coordination strategy includes direct participation of agencies in the design process, the Exchange IT system becoming the system of record for the MAGI eligibility determination and cross agency data sharing MOUS are being established leveraging HIPAA, MITA and NIEM standards and interoperability.

A high-level summary of data-sharing entities includes:

- Health Plan(s)
- NYS Tax & Finance
- NYS Department of Financial Services
- NYS Department of State
- NYS Department of Labor
- NYS Office of Temporary Disability Assistance
- NYS Department of Corrections and Community Supervision
- Federal Data Hub (IRS, SSA, DHS, CMS)
- NYS Financial Management System
- Banking services

New York's Exchange call center will also be fully integrated, serving both the Exchange and public programs. Specifically, the Call Center will serve the MAGI Medicaid, CHIP, and Basic Health Program (if offered) population groups, as well as individuals and employers seeking subsidized or non-subsidized coverage through Qualified Health Plans (QHPs). To support families that may include one or more members who qualify for non-MAGI Medicaid, the Exchange operations and systems will closely coordinate with agencies and systems currently used to process non-MAGI Medicaid eligibility.

6. Business Operations

The Exchange requires several business functions to be developed or integrated within existing State business functions. The Exchange has created several business flows to understand the technical requirements that support each of the business functions. The eligibility and enrollment; consumer assistance; and plan management business functions have been a primary focus during the design phase.

Since June 2011, New York has operated a consolidated call center, which is responsible for the Medicaid, Child Health Plus, and Family Health Plus helplines. The call center initiated operations for the Child Health Plus helpline in December 2010; the Medicaid and Family Health Plus helplines were implemented by the call center in June 2011. The call center is a component of the statewide Enrollment Center, *New York Health Options*, and offers centralized application assistance and information on all of New York's public health insurance programs. *New York Health Options* is operated by MAXIMUS.

New Yorkers seeking health care coverage in 2014 will be able to apply for and buy health insurance, learn more about their options, and get assistance online, by phone, by mail, or in person. An individual will be allowed to "anonymously browse" for available health plans, utilizing a simple screener to give an approximate level of eligibility to inform their review of plan options (QHPs, Medicaid, CHP, BHP).

Plan Management

Plan Management is one of the six key business areas of the Exchange IT solution. Plan management encompasses all of the business processes which identify, certify, decertify, renew, manage, and administer health plans offered by the Exchange.

A key component of the plan management solution is the System for Electronic Rate and Form Filing (SERFF) from the National Association of Insurance Commissioners (NAIC). SERFF was initially developed in the early 1990s to provide a cost-effective method for handling insurance policy rate and form filings between regulators and insurance companies. After several technology iterations, SERFF today is a feature rich Web portal through which both insurance companies and state regulators process filings for health, accident, life, and property and casualty insurance coverage. It facilitates communication, management, analysis, and electronic storage of documents and supporting information required for review and approval of regulatory filings.

NAIC has recently decided to enhance SERFF to support the plan management functionality required by states. New York has decided to utilize the SERFF enhancements to support its plan management solution. As a result, SERFF will be used by the QHP issuers, state regulators, and the Exchange administrators to support the QHP certification/decertification, renewal, monitoring, and administration processes. This approach leverages and expands upon the existing processes that are currently in place today and used by both the issuer and state regulator community.

Plan Management will also leverage existing data gathering tools developed and operated by the New York State Department of Health for provider network adequacy and quality assurance/customer satisfaction ratings. The Provider Network Data System (PNDS) will be the system from which the provider network directories will be drawn from and displayed on the web portal. The Quality Assurance Reporting Requirements (QARR) will continue to be gathered and used for display on the web portal as well.

7. IT Gap Analysis and Exchange IT Systems

IT Infrastructure GAP Analysis New York, Selections from the Executive Summary Prepared by Social Interest Solutions

Options and Recommendations

In light of IT assessment findings, the report calls out five options for New York to consider in moving towards the 2013 deadline.

Option #1 - Utilize the New York assets identified in this assessment to cobble together a solution that would work for New York (note that many assets identified were functional assets.)

Option #2 - Look at what other states or organizations might have developed that could be leveraged for re-use in New York (note this option still must address the data structure and associated issues that arise because of WMS.)

Option #3 – Participate in the recently announced User Experience Project. This is a project funded by national philanthropies and conducted in partnership with the Centers for Medicaid and Medicare Services (CMS) and the Center for Consumer Information and Insurance Oversight (CCIIO) to help states design state of the art, consumer-mediated, Web-based front-end interfaces to Exchanges. The project involves conducting human factors research on the consumer “psychology” in accessing health coverage and will draw on the ability of an established design firm, IDEO, in creating the blueprint for the consumer-mediated front-end system envisioned through ACA. (Note: this option would still need to address considerations for supporting commercial insurance and the SHOP Exchange and dealing with the significant database issues associated with the eligibility and enrollment management.)

Option #4 - Build everything from scratch and not leverage assets or projects supported by others.

Option #5 - Leverage the most capable components of options #1 - #3, with the knowledge that many of these assets are functional. The report ultimately recommends Option #5, in which New York would leverage valuable functional assets (Option #1) and build its own Exchange front-end leveraging the User Experience work (Option #3). While much of the needed functionality for the Exchange will come through this effort, it will still require New York to build robust

templating capabilities to be able to consume what is set forth by the User Experience effort. It will be critical for New York to be active participants in the project.

The contribution from Option #1 in this scenario is more about the rich functional assets in New York rather than the technical assets, though certain technical assets should not be ruled out, as described in Section H. The value of the functional assets is found in the significant experience and knowledge of those who have been thinking about and working for years to develop MyBenefits, MyWorkSpace, WMS, FEEA, ACCESS NYC and learnings from the work done on the Functional Road Map. The functional expertise of these groups should be tapped as subject matter experts in the work that lies ahead while the State makes the best and most informed decisions about leveraging, building and sharing assets to meet the 2013 timeline.

Finally, the State must still address two remaining gaps: (1) New York State's need to handle the gap created by the fact WMS is not a re-usable or leveragable asset (yet it contains data for millions of individuals known to Medicaid, SNAP, TANF and more); and (2) the need for the SHOP Exchange functionalities in the Exchange. Options for filling these two gaps were not assessed as part of this project.

(The full gap analysis has been included in previous grant applications and is available at: www.nyshf.org)

8. Reuse, Sharing, and Collaboration

Per our agreements with HHS, all Exchange systems and system components financed with federal funds are non-proprietary, utilize open architecture standards, and permit re-use by other states and jurisdictions. New York, as an Early Innovator state, produces requirement specifications, analysis, design, code, and testing that can be easily shared with other interested and authorized parties and stakeholders, including other states.

Guidance is intended to enable states to promote, share, leverage and re-use technologies within and among states. We have presented our lessons learned and progress at conferences and make deliberate attempts to inform and assist other states through various means, including HHS Learning Collaboratives and User Groups.

Beyond reuse and sharing of IT, New York is committed to leverage existing infrastructure and re-purpose business functions and processes to maximize state resources.

9. Organizational Structure

Federal establishment grant support has allowed New York to establish an organizational structure needed to plan and establish the Exchange. In addition to Executive Leadership, the organizational structure includes the following functional areas:

- Administration
- Policy and Planning
- Small Business Health Options Program
- Plan Management
- External Relations (e.g., Regional Advisory Committees, Navigator program)
- Plan Quality Rating
- Health Plan and Broker Regulation
- Market Reforms
- Risk Adjustment and Reinsurance

As of November 22, sixteen full-time Exchange staff have been hired, seven additional full-time Exchange staff are in the process of being hired, and numerous additional staff work on information systems and eligibility and enrollment which benefit both the Exchange and public programs. Federal grant funds have been received to support the hiring of 78 additional staff, including full-time Exchange, Exchange and Medicaid, as well as the DFS staff and 11 All Payer Claims

Database staff. We are currently recruiting for these staff. Finally, through this grant, we are seeking funding to allow us to hire an additional 22 full-time Exchange staff and 12 IT Exchange/Medicaid staff.

10. Program Integrity

New York's program integrity efforts are two-fold: 1) ensuring program integrity of the New York Health Benefit Exchange and 2) ensuring that federal grant dollars are expended as designated in the terms of our grants and contracts.

New York is committed to developing a full plan to prevent fraud, waste, and abuse in its Exchange. To this end, the Exchange contracted with KPMG to assist the State in creating work plans to guide the implementation of the Financial Management, Oversight, Monitoring and Reporting, and select SHOP responsibilities of the Exchange. The work plans are the result of identifying the requirements, key tasks and target dates for completion. Program integrity was included in this report and the recommended approach and next steps are described in the Proposal Requirements section and the strategic questions section of this application.

With regard to ensuring the integrity of federal grant dollars, New York has instituted an audit function for each of its contractors that are conducting Exchange planning activities or studies. All consultants hired by the Exchange provide regular reports and describe how their time has been spent on each project. The quality and timeliness of all deliverables is closely monitored. Through these consultant reports, the State is monitoring the work of its consultants and ensuring that each is meeting the requirements of their respective contracts.

11. Affordable Care Act Requirements

Pre-existing Condition Insurance Plan (PCIP) Transition Plan

The ACA established a pre-existing condition insurance plan for high-risk individuals. Coverage through this program will be available until January 2014 when alternative health insurance coverage options become available through the Exchange. New York's current allocation to fund the NY's PCIP (Bridge Plan), the State's pre-existing condition insurance plan, is approximately \$85 million annually. The NY Bridge Plan covers a broad range of services; and its premium rates are \$362/month for residents of upstate counties and \$421/month for residents of downstate counties.

New York plans to transition Bridge Plan enrollees to appropriate Exchange or other coverage options through a process that, at a minimum, will include in person assistance and customer service available by phone by October 2013, in advance of the December 31, 2013 anticipated transition date. New York will provide at least three (3) mailings to Bridge enrollees with information about the end date of coverage, enrollee rights, and providing information for assistance or questions, as well as information about potential Exchange QHP and other options. New York will additionally work to ensure that all required coverage transition/care coordination requirements are met, along with any other applicable provisions of state insurance law.

Six-Month Reforms

New York has successfully implemented the six-month insurance market reforms that took effect beginning on September 23, 2010. This legislation conformed state law with ACA-related insurance market reforms implemented to date, including prohibitions on lifetime limits and rescissions, restricting annual limits, eliminating cost-sharing for preventive services, eliminating pre-existing condition exclusions for children up to age 19, dependent coverage up to age 26 on parent's plan, direct access to OB/GYN services, disallowing discrimination based on salary, coverage of out-of-network emergency services without pre-authorization, enhanced disclosure and transparency, and enhanced appeal rights. The legislation, which was fully vetted with consumers, health insurers, health care providers and other stakeholders, strengthens New York's already extensive body of consumer protections and, where appropriate, preserves state law that exceeds federal requirements, such as providing an option for young adults through age 29 to purchase coverage through their parent's employer plan.

Premium Rate Review New York received a \$1 million Cycle I Rate Review Grant from HHS in August 2010 to enhance its rate review processes and a second Rate Review Grant of \$4.4 million in September 2011. The DFS has used those funds

to: improve rate filing requirements; enhance IT capacity and activities, including working with the National Association of Insurance Commissioners (NAIC) to upgrade the System for Electronic Rate and Form Filing (SERFF); increase public access to the rate review process and information on rate increases; partner with FAIR Health, Inc., a not-for-profit organization which manages a database of health care claims; and hire two actuaries and one examiner. This grant has provided New York with key resources to enhance its rate review activities under New York's new prior approval law, which was enacted in June 2010. New York will continue to expand on these enhancements through its Cycle II Rate Review Grant.

12. SHOP

There are over 400,000 small businesses in New York State accounting for two-thirds of the jobs in the State. Based on Urban Institute Simulation modeling, New York has the opportunity to bring comprehensive affordable health insurance coverage to 450,000 employees of small businesses through the SHOP Exchange. To realize this goal, New York must design a SHOP that:

- Meets the requirements of the ACA as it pertains to SHOP establishment, operations and management encourages small businesses to purchase coverage for their employees;
- Minimizes disruption to the small group health insurance market while promoting innovation;
- Provides a first class user experience for employers, employees and brokers;
- Leverages the knowledge and expertise of current market players (brokers, providers, carriers, third party administrators, Chambers of Commerce) regarding the needs of New York State's SHOP through Regional Advisory Committees and specific outreach efforts;
- Ensures that whatever route an employer, employee or individual comes into the Exchange, they will be routed to the appropriate area/entity to facilitate obtaining health insurance coverage.

The SHOP will develop standard procedures for applications, updates, and redeterminations. When employers enter the SHOP and are approved for participation in the SHOP, they will be able to select plans for Employee choice or have a Broker complete this process for them. After employees are entered into the system, either manually or via roster upload, they will be able to begin selecting their insurance option and completing the application process. Notice will be provided to employees, either in writing or via email (or both) that their employer has selected health insurance options for them within the Exchange, and they will be provided with instructions on how to proceed.

B. Proposal to Meet Program Requirements

To further accomplish the Exchange activities that are required to achieve a fully functional Exchange for open enrollment in October 2013, the New York Exchange requests additional federal funding. This Level 2 funding request will enable the Exchange to become a fully operational State-based Exchange and be in compliance with the requirements set forth in the ACA.

1.0 Current Exchange Pathway

New York is advancing the vision of a coordinated and streamlined process for consumers seeking assistance with insurance coverage (public and private) and other social services offered by the State. New York has embraced the opportunity to provide affordable health insurance coverage to nearly one million people through the Exchange and is actively pursuing the establishment of a State-based Exchange to be in operation by October 2013.

New York was awarded an Early Innovator grant in 2011 and since then has been intensely focused on designing and developing an Exchange IT solution that can meet New York's needs as well as be shared with other states. Beyond the IT system development, New York has accomplished several research studies, hundreds of stakeholder engagements, advanced consumer assistance activities and has completed the necessary operational and IT readiness assessments.

Key accomplishments of the Exchange include: Executive Order establishing the Exchange; Awarded \$183 million in federal funds for Exchange establishment activities; Recipient of technical assistance grant from the Robert Wood Johnson Foundation; Early Innovator State for IT system build; Leveraged existing state agency resources at DOH, DFS, and other state agencies; Conducted background research on key policy decisions; Conducted broad stakeholder consultation through stakeholder meetings, Regional Advisory Committees, meetings with plan CEOs and technical staff, meetings with Tribal Health Directors, and others; Engaged vendors for Systems Integrator, Call Center/Back-end Operations, Policy Studies, Consumer Assistance Activities, SHOP, Developed and began to staff an organizational structure, and Developed an informational web site.

In addition, on July 9, 2012 Governor Cuomo submitted a Declaration Letter to the HHS formally declaring that New York would operate a state-based Exchange on January 1, 2014. A revised Declaration Letter was submitted on November 15 requesting federal administration of reinsurance and risk adjustment in 2014. On October 9 -10, 2012, New York completed its Design Review and on October 26, 2012 submitted the Exchange Blueprint thereby completing the application process.

Although much work remains, New York is well positioned to launch the State-based Exchange on time.

2.0 Strategy to Complete Exchange Activities

New York is developing a State-based Exchange that will be fully operational for open enrollment beginning in October 2013. The Exchange has made significant progress in all of the Exchange Activities and has submitted its Blueprint for establishment of a State-based Exchange ahead of schedule. The Exchange Activities listed below and further discussed in the narrative are the focus for this Level 2 funding request:

- Consumer and Stakeholder Engagement and Support
- Eligibility and Enrollment
- Plan Management
- Organization and Human Resources
- Finance and Accounting
- Technology
- Privacy and security
- Oversight, Monitoring and Reporting
- Contracting, Outsourcing and Agreements

2.1 Exchange Activity: Consumer and Stakeholder Engagement and Support

This Exchange Activity section contains funding requests to continue the development and establishment of the consumer assistance activities, continued stakeholder engagement efforts and the education and outreach campaigns for consumers.

Consumer Assistance Activities

New York request funding to: (1) develop training programs for the Navigator program and (2) develop training and support the operating activities of the In-Person Assister (IPA) program, with cost allocation as appropriate for public program assistance. Grant funds are not being requested for the operation of the Navigator program. (Consistent with federal requirements, these costs will be funded with revenue from the Exchange.)

Through stakeholder meetings and the Exchange's Regional Advisory Committees, the Exchange has solicited input about the design and delivery of Navigator and IPA services. The programs will provide in-person, multilingual application assistance to potential enrollees applying for New York State sponsored health insurance programs, QHPs and standalone plans in the Exchange, and as well as federally sponsored Advanced Premium Tax Credits (APTCs) and cost-sharing benefits. By contracting with organizations that are culturally and linguistically appropriate to the populations they serve, the IPA/Navigator programs will reach individuals who have minimal access to public and

commercial insurance programs. These programs are being designed to eliminate barriers in accessing the application process by providing in person assistance in community based locations frequented by target populations, at times that are convenient to working families, including evenings and weekends. The IPAs/Navigators will assist individuals, small businesses, and small business employees.

IPAs/Navigators will provide all duties specified in 45 CFR 155.210(e). The In Person Assistor program will commence in late summer or early fall of 2013. The Navigator program will commence on a date to be determined, but no later than January 1, 2014.

Stakeholder Engagement and Tribal Consultation

The Exchange has a robust stakeholder engagement plan. Additional funding is being requested to continue the process of engagement especially during the 2013 and 2014 open enrollment seasons and as the Exchange is becoming fully operational. Funding is necessary to cover the costs associated with stakeholder, Regional Advisory Committee and Tribal Consultation meetings.

- The five Regional Advisory Committees consisting of consumer advocates, small business consumer representatives, health care providers, agents, brokers, insurers, labor organizations and other stakeholders will continue to meet to provide advice and make recommendations on the establishment and operation of the Exchange.
- General public and specific stakeholder group meetings (i.e., health plans, brokers, and providers) to provide information regarding policy and technology developments that may impact them and to gain their insight on implementation.
- The State plans to continue to pursue tribal consultation meetings to ensure that tribal leaders understand the benefits offered by the Exchange, the rights afforded AI/ANs under the ACA, to further discussions around verification of tribal membership, Navigator program participation and essential community providers, and to map out New York's tribal consultation process.

Outreach and Marketing

The Exchange will provide culturally and linguistically appropriate outreach and educational materials to the public, including auxiliary aids and services for people with disabilities, regarding eligibility and enrollment options, program information, benefits, and services available through the Exchange, the Insurance Affordability Program(s), and the SHOP. In addition, the Exchange has an outreach plan for populations including: individuals, entities with experience in facilitating enrollment such as agents/brokers, small businesses and their employees, employer groups, health care providers, community-based organizations, Federally-recognized Tribal communities, advocates for hard-to-reach populations, and other relevant populations as outlined in 45 CFR § 155.130.

Funding is sought to support market research and execution of a media campaign in 2014 to create public awareness of the Exchange. New York received funding in the June 2012 grant for two flights of advertising leading up to and during open enrollment in late 2013. This Level 2 request would fund a third flight of advertising in early 2014 for Year 1 open enrollment and two flights in mid-to-late 2014 for Year 2 open enrollment. Specifically, we are requesting support of the market research, development costs for media buys, and placement of advertisement in television, radio, print, and on-line mediums.

Details describing the Outreach and Marketing plan and funding request are included in the attached Work Plan and Budget Narrative.

2.2 Exchange Activity: Eligibility and Enrollment

New York anticipates using the single streamlined HHS developed individual Exchange application, and standard SHOP application developed by HHS for employers and employees. The Exchange is building controls into the Individual Exchange eligibility system to verify the identity and eligibility of individuals for coverage. The State plans to align with

the draft federally facilitated exchange (FFE) process flows and draft business service definitions (BSDs) provided to date, in terms of its approach to data sources for verifications for residency; citizenship and immigration status; incarceration; household income; tax household size; whether an individual is an American Indian; enrollment in an eligible employer sponsored plan (if applicable); and eligibility for qualifying coverage in an eligible employer-sponsored minimum essential coverage. The Exchange plans to accept attestation as required for family/household composition.

New York plans to use all required federal data hub services made available to states for Exchange eligibility determinations and verifications. Examples of federal data hub services New York plans to use include, but are not limited to, social security number (SSN) validation through Social Security Administration (SSA); citizenship/immigration status through SSA/Department of Homeland Security (DHS); incarceration status from the Prisoner Update Processing System (PUPS); tax household size; MAGI total household income or any other federal tax information through the IRS; and any federal hub source available to verify eligibility for public programs that provide minimum essential coverage (e.g. Medicare, TRICARE, Peace Corps, Veterans health, Bureau of Indian Affairs). New York plans to check its own administrative data sources for enrollment in Medicaid, CHP and the Basic Health Program (BHP), if offered. Additionally, we will supplement PUPS with data from the NYS Department of Corrections and Community Supervision (DOCCS) for more current information on incarceration status.

The Exchange is developing an automated approach, to the maximum extent possible, to elicit information from a consumer seeking an exception determination from the individual responsibility mandate or payment exemption, and to provide an opportunity for appeal. The consumer will be provided with the option to make such a request, and drop down menus will provide available options (e.g. religious objection), with appropriate options to verify via attestation or documentation, if unable to verify against a trusted data source electronically. Work continues on defining the requirements and processes for the mandate/payment exemption process.

The Eligibility and Enrollment IT system development and build is included within the larger IT Work Plan and the total IT funding request. Details describing the Eligibility and Enrollment IT system build are located in the attached IT Work Plan.

Funding is requested to support Exchange back-end operations for eligibility and enrollment, as discussed in the contracting section below.

2.3 Exchange Activity: Plan Management

The Exchange has established a process for gathering data from QHPs, including dental plans, CO-OP plans, and to the extent applicable, multi-state health plans. New York State has had extensive experience with joint agency regulation of health plans through the DOH and DFS. The Exchange will leverage this experience by working collaboratively with these agencies to review and approve plans for participation in the Exchange.

The Exchange will use the following steps in certifying health plans:

- Step 1: Notice of Intent, Receipt of Proposals and Issuance of Agreement
- Step 2: Rate, Benefit, Actuarial Value, Essential Health Benefit, and Market Reform Rules compliance analysis
- Step 3: Provider Network Data Collection and Network Adequacy Review
- Step 4: Quality Data Collection and Transparency Data Collection
- Step 5: Certification (for QHPs) or Recommendation of Deeming to CMS and subsequent acceptance (for CO-Ops)

The same process will be followed for QHPs offered in the individual and SHOP Exchange, as well as for qualified dental plans.

Funding is requested to support additional plan management staff.

DFS IT System Enhancements

New York requests funding to support information technology enhancements needed for the modification of the DFS document management system for premium rate and policy form filings, which will be an integral part of the IT system used to regulate QHPs and assist the Exchange with oversight functions. DFS is responsible for some critical regulation of insurers, both inside the Exchange and outside of the Exchange, including licensing health plans and brokers; performing ongoing solvency review; handling consumer complaints; prior review and approval of health insurance policy forms and premium rates; review of plans for the essential health benefits; adherence to actuarial value requirements; and pooling of premium rates inside and outside the Exchange.

DFS relies upon the NAIC SERFF which will introduce new functionality and data fields in order to serve as an effective tool to support Exchange plan management functions. New York will continue to rely on SERFF, as modified, for both rate and form submissions, as well as for Exchange plan management functions.

DFS, however, does not solely rely on SERFF. Rather DFS maintains a document management system that serves as a regulatory tool, system of record and official repository of form and rate filings. DFS' current document management system requires changes to align with the modified SERFF system. As such, New York seeks additional funding for an IT consultant to plan and implement upgrades to and/or replacement of the current document management system.

This new document management system will maintain the records required to effectively regulate QHPs in the Exchange, as well as their alignment with products sold outside of the Exchange. This repository will allow New York to retain information about Exchange products consistent with New York's record retention requirements and will serve to support effective regulation of markets inside and outside of the Exchange. This system will be in addition to SERFF, which is owned and maintained by the NAIC. The Exchange IT system will separately support the plan management retention requirements placed directly upon the Exchange.

The consultant will directly perform and/or oversee the overall operations of the project and be responsible for the day-to-day project activities and coordination with the DFS's designated liaisons. The consultant will design and/or direct the project and in its implementation, be responsible for overall program evaluation, monitor and evaluate the project, offer feedback and provide essential service and training.

Details of the funding request are located in the Budget Narrative section.

2.4 Exchange Activity: Organization and Human Resources

The Exchange continues to hire additional staff as the workload increases and the October 2013 deadline for the fully functional Exchange approaches. The Budget Narrative provides the job descriptions of the proposed new staff that is required. Below is a diagram that shows the Exchange organization and the Exchange's relationship with other state agencies. Detailed organization charts are included as an Appendix to this application.

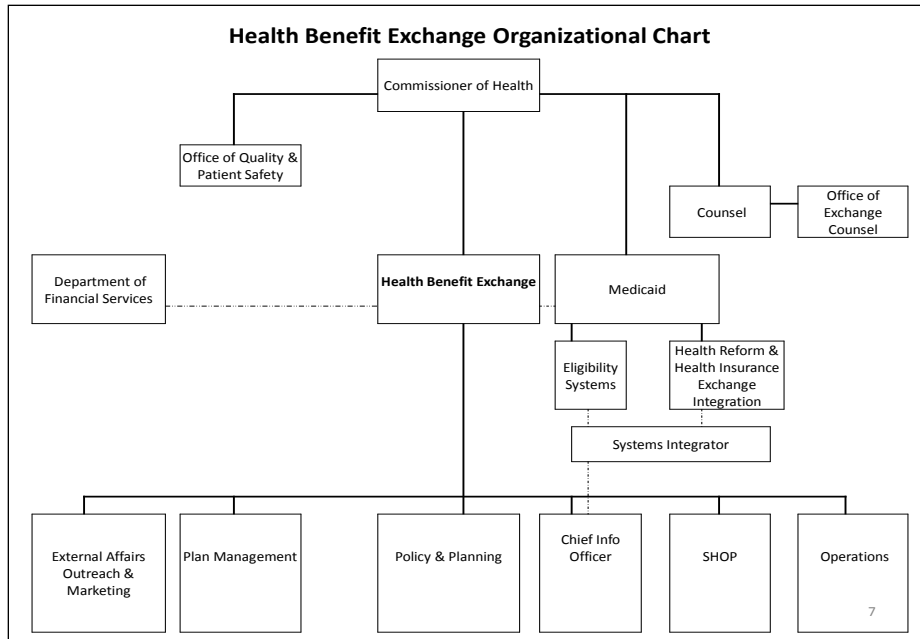
Funding is requested to continue all existing staff through Dec 31, 2014 which includes:

- 101 Exchange staff
- 11 All Payer Claims Database staff

We request funding for an additional 34 positions, which include the following areas:

- 10 information technology
- 11 appeals
- 8 plan management
- 3 audit/quality assurance
- 2 SHOP

The Budget Narrative provides salary details and job descriptions for the newly requested Exchange positions.



2.5 Exchange Activity: Finance and Accounting

The Exchange will use New York’s Statewide Financial System (SFS) to the greatest extent possible to facilitate, track, and report on Exchange financial transactions. The State government's accounting and financial management system is a modern enterprise resource planning (ERP) system which enable the State to perform its fiscal and business management tasks effectively, transparently and efficiently. The SFS facilitates the management and flow of information between and within State agencies, State control agencies (the Division of the Budget and the Office of the State Comptroller), the State Legislature, vendors doing business with the State, and the general public.

To help determine the specific Exchange accounting needs the SFS can meet, the Exchange will first establish a comprehensive list of capabilities it must “operationalize,” including, but not limited to:

General Ledger	Item/Service Master List
Fixed Assets	Bank Reconciliation
Grant Disbursement	Reporting
Accounts Payable	Administration
Accounts Receivable	Operations and Maintenance

The Exchange will determine which of these functions the SFS can support now as well as a projected timeline for additional functionality, if necessary. If specific requirements cannot be met by the SFS in time to meet the Exchange’s needs, the Exchange will develop a mitigation plan to ensure necessary functionality is available.

Standing up a capable operational relationship between the Exchange back office and the SFS will require sufficient staff resources. The Exchange will continue to refine its established staffing plan, which will help ensure the work associated with its accounting practices and policies are efficiently and effectively addressed.

The Exchange will also develop necessary financial policies and procedures to support the daily activities of relevant staff. Specific policies will include segregation of duties, purchasing and check writing processes, management of incoming and outgoing funds, document retention, and other policies as required.

We are seeking funding to enable the Exchange to acquire a *PeopleSoft* accounting system to track the Exchange's financial transactions and to conduct SHOP premium processing. This accounting system would support the insurance premium collection process, issuer payment, and general ledger for the Exchange. The Exchange would purchase the following PeopleSoft modules: Accounts receivable; Accounts payable; General ledger; Billing; Positive pay; Lockbox; and UPK (training tool that enables generation of custom operational documents) and would renew *PeopleSoft* licenses annually.

Details regarding the funding request and work plan for the finance and accounting system are included in the Budget Narrative and Work Plan.

2.6 Exchange Activity: Technology

The Systems Integrator and the Quality Assurance vendors are working intensely along six tracks to build the Exchange IT system in time for open enrollment in October 2013. The technology funding request includes costs associated with eligibility, verification, enrollment, plan management, privacy and security, monitoring and reporting.

Details on the IT systems build were submitted with our Blueprint documents and are contained in the HHS-approved contract with the Systems Integrator (CSC).

This funding request is for the balance of the IT system design and development costs. Details of the funding request are in the Budget Narrative and a detailed Work Plan for these activities is also included.

2.7 Exchange Activity: Privacy and Security

Given the unprecedented role of consumers in enrolling in and keeping their public or privately financed health benefits, Federal requirements provide guidance on the need for sound privacy and security elements, with more information anticipated on this front.

Current Federal guidance offers that State systems should be designed to collect and use the minimum data necessary for an eligibility and enrollment determination. This should be balanced with the desire to reuse information for multiple eligibility decisions, beyond just health coverage. Guidance calls out the need for states to have clear, transparent policies and processes for consumers about authorizing access to data. Authorization to access and data use intentions should be provided to the consumer in a Privacy Notice, presented to all consumers accessing the Exchange.

Data Security for the Exchange is focused on the confidentiality, integrity and availability of Personally Identifiable Information (PII), Protected Health Information (PHI), and Federal Tax Information (FTI) pursuant to the Health Insurance Portability and Accountability Act (HIPAA), the Health Information Technology for Economic and Clinical Health Act ("HITECH"), IRS Section 6103 and various State Regulations.

The funding required to meet the privacy and security requirements as outlined in the ACA includes 500 hours of consulting work. NYSTEC will serve as the security and privacy information officer for the Exchange. NYSTEC's IT Security services include, but are not limited to, the following: business continuity & disaster recovery planning and assessments, vulnerability assessments, identity and access management, data classification, information security policy, processes, standards, and procedures, and security application and system development.

Details of the funding request are included in the Work Plan and Budget Narrative.

2.8 Exchange Activity: Oversight, Monitoring, and Reporting

The Exchange will perform ongoing oversight, monitoring and reporting (OMR) in order to measure its performance, adjust to a changing marketplace, and prevent and detect fraud, waste and abuse. While the Exchange will interact with

and have some OMR responsibilities for a number of market participants, New York has extant agencies and departments with oversight and regulatory authority over these market participants. The Exchange will leverage its existing OMR infrastructure, to the greatest extent possible, while supplementing those areas where Exchange-specific oversight, monitoring and reporting is required. The IT system development has incorporated the data elements necessary to monitor and report on any Exchange-specific oversight measures.

The funding request for this Exchange activity is to support an annual independent audit of Exchange operations and financial position as required by the federal Blueprint. The details related to this request are located within the “Contractual” section of the Budget Narrative.

2.9 Exchange Activity: Contracting, Outsourcing, and Agreements

The Exchange relies on multiple contractors to accelerate the establishment and implementation process. There are several Exchange core areas where contracting and outsourcing will be required, including additional market research and policy simulation modeling as well as continued support for call center and back-end operations.

Consulting Services for Call Center and Back-End Operations

Call Center

Since June 2011, New York has operated a consolidated call center, which is responsible for the Medicaid, Child Health Plus, and Family Health Plus helplines. The call center is a component of the statewide Enrollment Center, *New York Health Options*, is operated by MAXIMUS and offers centralized application assistance and information on all of New York’s public health insurance programs.

To further advance the strategic plan for call center operations to be launched prior to October 2013; the Exchange requests funding to continue to contract with MAXIMUS to implement, train and test the Customer Service solution. The highlights of MAXIMUS’ responsibilities are summarized below.

MAXIMUS will expand the current New York Health Options call center function to include responding to inquiries about Advance Premium Tax Credits (APTC) and cost-sharing reductions (CSR). It will also provide customer support to employers and employees with respect to SHOP.

Back-End Operations New York intends to centralize the back end operations for eligibility determinations for all APTCs and new enrollments for MAGI Medicaid and Child Health Plus (CHP). Medicaid renewals will be processed through a combination of the centralized processing center staffed by MAXIMUS and State staff and the local departments of social services. MAXIMUS will assist with enrollment processing for the individual and SHOP Exchanges submitted on-line, by phone, and by mail. The type of assistance will vary by modality, including co-browsing for those applying on-line and data entering application information for those applying by phone or by mail. The Exchange Customer Service Center is anticipated to be fully-functional by October 2013 and will support consumers for both the Individual and SHOP components of the Exchange.

MAXIMUS will provide planning assistance to the design, testing and implementation of the Exchange Customer Service solution. As part of this effort MAXIMUS will provide staff with specific knowledge in the areas of Individual and SHOP Eligibility and Enrollment including but not limited to application submission and updates, plan selection and shopping, application information verification, renewal processing, exception processing, enrollment/disenrollments, screening, appeals, and case management.

MAXIMUS will also implement the customer service and communications components of the Exchange Customer Service solution:

- The first part of implementation of customer services operations, includes defining an organizational structure; developing policies, procedures, and other program information needed to operate the Exchange Customer Service Center; hiring and training staff; and providing the physical infrastructure needed to house the Exchange Customer Service Center, including MAXIMUS and State staff.
- The second focus is the implementation related to the provision of the technical infrastructure needed to support the Exchange Customer Service Center, including the telephone solution, the Customer Relationship Management (CRM) system, and outbound correspondence functions for materials requests, inbound mail, inbound fax, and Exchange Customer Service reporting. MAXIMUS will also provide planning support for the design, development, testing, and implementation of the systems that will provide capabilities needed for uploaded documents, portal-based notifications, automated online help, click to chat, and co-browsing.
- MAXIMUS will provide technology assets to enable the work of the Exchange Customer Service Center. In order to accomplish what is necessary to support all operational processes, a systems integration process must be completed. That integration requires the analysis, design and development of a CRM system, and all other related modules, that will interact on a real time basis with the systems components that manage the eligibility, enrollment, plan, and financial processing functions of the Exchange. Features that are needed to interact with customers via various methods will be developed utilizing a standard System Development Life Cycle (SDLC) and will utilize the required design standards, including the use of Web Services Architecture (using XML, SOAP and WSDL or REST) and a Service Oriented Architecture approach.

Consulting Services Policy Simulation

The Exchange has identified that additional research is required to understand the impact of 2014 policy decisions on the Exchange and non-Exchange insurance markets. Specifically, New York proposes to contract with consultant services to conduct policy simulation modeling on:

- The impact of increasing small group size from 50 to 100 in 2016 and considerations for expanding beyond 100 in 2017, as well as update modeling based on actual experience to inform on-going planning activities.
- Final regulations that are released (e.g., Basic Health Program and essential health benefits for 2014 and 2016) to identify and understand any potential impact on the marketplace as well as any potential modifications that should be recommended to policymakers.

Consulting Services for Annual Audits

The Exchange will contract with an auditing firm to support an annual independent audit of Exchange operations and financial position as required. The audit will validate the Exchange's policies and procedures such as:

- Procedures to guard against fraud, waste and abuse
- Adequacy of operating, accounting and financial reporting systems
- Method for managing operations and finances
- Policy and procedures for record keeping
- Process for reporting and approving payments, and for identifying erroneous or improper payments reporting system
- Policies pertaining to conflicts to interest and data confidentiality
- Operational and financial management structure
- Updating operational and financial policies and procedures
- Code of Conduct
- Monitoring operational, financial and budget activities
- Compliance with state and federal regulations and reporting requirements

New York would procure an independent, qualified accounting firm to perform all tasks required by federal and State law. The results of the annual audit will be posted on the Exchange website and communicated directly to HHS, OSC, DOH, and other appropriate State agencies.

Consulting Services for Exchange Performance Evaluation

The Exchange will contract with an entity to evaluate the impact of the Exchange on New York's small businesses, individual consumers, health delivery system, insurance markets, and overall economy. This evaluation will be a macro-level evaluation of the Exchange's impact on the State and key constituencies. This will supplement other micro-level analyses that we will conduct of Exchange business functions, including the IT system, Call Center, Navigator program.

The Exchange will establish specific evaluation protocol, and will work with the outside consultant to aggregate and analyze relevant data and prepare a report on the findings.

IT System Consultants

Funding is requested for consultants to help with the design and build of the IT system and to serve as the security and privacy information officer for the Exchange. These consultants include an IT communications manager; technical architect, webmaster, and business analysts for the enrollment, customer service, SHOP and financials program areas. They would provide management of IT communications with external stakeholders and state agencies, design and operate the Exchange website, elicit business requirements and verify their completeness with project stakeholders. In addition, the NYS Technology Enterprise Corporation would serve as the security and privacy information officer for the Exchange

Rollover of June 2011 Items

Finally, we seek funding three areas of work, IT subject matter experts, QHP Certification Policy Study, and Health Disparities Policy Study, in which funds were awarded in New York's June 2011 Establishment grant but not fully expended before the expiration of the grant.

3.0 Strategy to Address Early Benchmarks

The funding opportunity outlines specific activities that are required benchmarks for all states no matter which Exchange model is being developed. Since New York has been focused on developing a State-based Exchange, progress has been made in each of the five benchmarks: (1) an operational gap analysis of the "as is" services and capacity; (2) an updated IT gap analysis; (3) actuarial and market analysis of rates, benefits and potential Exchange consumers; (4) Stakeholder and Tribal consultation; and (5) long-term operational cost analysis and sustainability plan. A brief description is provided below; however, the Exchange has submitted many documents to CMS through the Blueprint application and the Design Review processes. The New York Exchange is on target to be operational for open enrollment in October 2013.

(1) Operational gap analysis of the "as is" services and capacity

A thorough operational assessment has been completed and is the foundation of the current Exchange design and build. The New York Exchange has leveraged existing services and capabilities where possible and plans to integrate services such as Medicaid eligibility and call center operations. The operational assessment and proposed Exchange implementation have been reported in the "past progress" section of the three Level 1 funding opportunities that the State has been awarded.

(2) IT gap analysis

New York contracted with CSC as the system integrator and the proposal planned for a requirements validation and gap analysis phase at the beginning of the project to align the functional baseline with the outcomes of the JAD sessions the State had conducted prior to the contract award. CSC completed this gap analysis and is currently in the process of working with the State to complete the disposition of the identified changes to the Exchange IT functional baseline and to assess any impact to the scope, schedule, and budget. Concurrent with the gap analysis, CSC began the engineering and development activities planned to deliver the Exchange solution following an Agile Scrum methodology with centralized solution and technical architectural oversight and direction.

Capability tracks, releases, and sprints, based upon the functional areas listed below were established in order to facilitate Agile Scrum Sprint team organization of business analysts, policy analysts, architects, design and development, and testing disciplines. The functional capabilities tracks include:

- Eligibility Determination & Enrollment
- Plan Management
- Financial Management
- Small Business Health Options (SHOP)
- Customer Service
- Communications
- Oversight

Agile Scrum-based projects assume that requirements will change as solution capabilities are designed, built, and tested, and, that projects will most effectively meet business needs through constant communication between developers and business process owners. The processes that oversee these changes are meant to ensure that these changes are visible and that any associated impacts are identified and analyzed (i.e., impacts to functional capability, project schedule, or project cost across all State and CSC stakeholders). Upon completion of this assessment, approved system changes are implemented in accordance with the agreed upon strategy.

(3) Actuarial and market analysis of rates, benefits and potential Exchange consumers

The Exchange has accomplished multiple studies (see Past Progress section under Background Research) to assess the potential impact of the ACA on the marketplace and continues to use those findings in the Exchange design and development phases. Upon CMS release of final regulations, the Exchange intends to contract for consulting services to re-assess any potential impact by using policy simulation modeling. Funding for these additional studies is part of this Level 2 funding request. Further, DFS is in the process of contracting with an actuarial firm, with December 2011 Establishment Grant support, to provide actuarial analyses.

(4) Stakeholder and Tribal consultation

New York recognizes the importance of engagement with a wide range of stakeholders in the planning and implementation of the Exchange and is fully prepared to meet federal requirements related to these activities. New York has included stakeholders in the Exchange planning process since the passage of the law in 2010.

New York has reported on these activities in the Past Progress section and throughout the Exchange planning and implementation phases. To summarize, the State has convened meetings with large groups of stakeholders representing all sectors during the past 18 months. The stakeholders represent consumer advocates, health plans, small business, producers (agents and brokers), health care providers, health policy experts, members of Tribal Nations and others.

In summary, the Exchange has a robust stakeholder engagement plan, which includes:

- The five Regional Advisory Committees consisting of consumer advocates, small business consumer representatives, health care providers, agents, brokers, insurers, labor organizations and any other appropriate stakeholders will continue to meet to provide advice and make recommendations on the establishment and operation of the Exchange.
- General public and specific stakeholder group meetings (i.e., health plans, brokers, and providers) to provide information regarding policy and technology developments that may impact them and to gain their insight on implementation.
- The State plans to continue to pursue tribal consultation meetings to ensure that tribal leaders understand the benefits offered by the Exchange, the rights afforded AI/ANs under the ACA, to further discussions around verification of tribal membership, Navigator program participation and essential community providers, and to map out New York's tribal consultation process.

(5) Long-term operational cost analysis and sustainability plan

As mentioned above, New York has prepared a detailed five-year budget of Exchange activities for the 2011 to 2015 period, as well as estimates for 2016. This budget is essential as we prepare for self-sustainability beginning in 2015 and examine options for Exchange revenues.

The New York Exchange always attempts to leverage existing infrastructure and to design an Exchange that is efficient and not duplicative of other services provided by the State or other entities to moderate the Exchange’s operating budget. The table below shows the Exchange’s plan for achieving financial self-sustainability.

Task: Achieving Self-Sustainability	Target Date	Responsible Party	Deliverable
Research the various means by which the Exchange can achieve self-sustainability.	October-2012 April 2013	Exchange in collaboration with Division of Budget (DOB)	Self-sustainability plan identified and established
Establish the specific means and policies and procedures to achieve self-sustainability	May 2013	Exchange in collaboration with DOB	
Monitor financial position of the Exchange and outline/implement corrective actions as necessary and if applicable.	Ongoing	Exchange in collaboration with DOB	Monthly financial reports
Develop a staffing plan for initial and future years to oversee self-sustainability and financial position of the Exchange. Determine roles and responsibilities, supporting job descriptions, performance management policies, etc.	Completed	Exchange	Staffing plan

4.0 Proposed Solution for Exchange IT Systems

New York’s Exchange IT system is an independent application that leverages to the greatest extent possible the current architecture within the New York Medicaid Management Information System. At the center of the Exchange’s IT system architecture is an Enterprise Service Bus and the solution will be provided via a private cloud. Additionally, the Exchange IT system will leverage to the greatest extent that functionality available within hCentive.

Interface control documents are being prepared for each State and Federal interface including NYS Tax and Finance, Federal Hub, QHPs; etc based on the CMS provided template and some existing National Information Exchange Model (NIEM) information exchange package descriptions (IEPDs). NY-HX Data Sharing Agreement discussions are under way with each agency with assistance of the NY State Chief Data Officer.

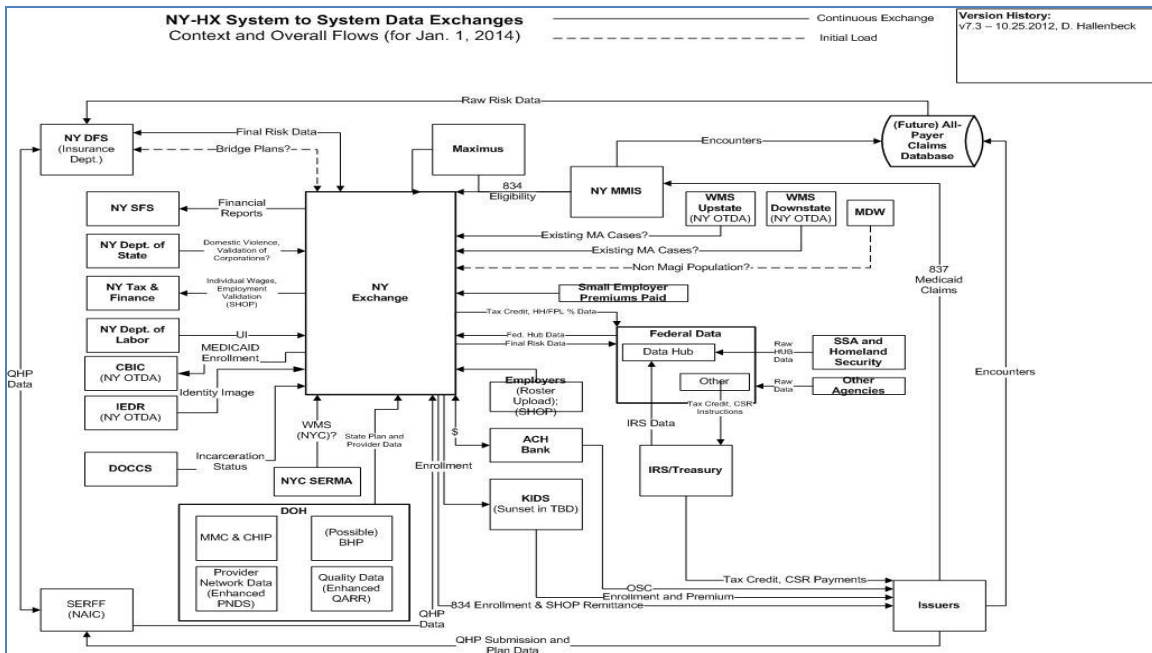
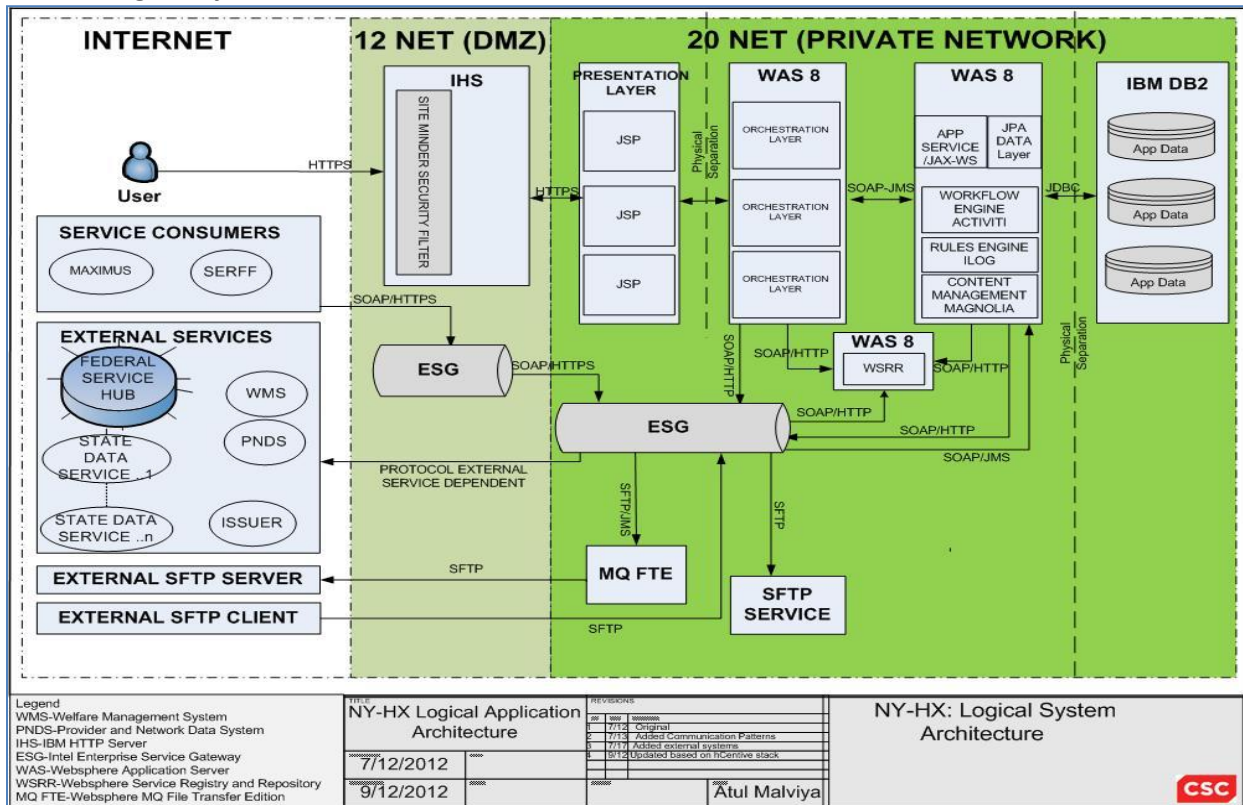
The State’s architecture approach for the Exchange includes the overall enterprise architecture to include specifics for the business, technical, application, data, and security architecture perspectives. The major principles that drive the architectural focus areas are:

- COTS product utilization is to be maximized in order to mitigate development schedule risk, wherever compliance with Exchange IT system requirements exists
- The IBM Rational toolset (e.g., Rational Team Concert, Rational Requirements Composer, and Rational Quality Manager) are to be used while performing the activities within the SDLC
- Prioritization of capabilities for implementation is to be driven in accordance with those needed to meet CMS certification requirements for the October 1, 2013 system go-live milestone

A conceptual data model will be developed to provide a high level visual perspective of each subject area of the Exchange IT system solution. The subject areas within Exchange are Plan Management, Eligibility and Enrollment,

Financial Management and Customer Communications and Services. It will contain the most basic and critical business entities within each subject area and functions, with a description of each entity and relationships between entities.

NY Exchange IT System Architecture



5.0 IT Seven Standards and Conditions

The New York Exchange will incorporate the Medicaid Seven Standards and Conditions into the Exchange requirement development, design and build.

Below is a brief description of how the Exchange will meet the Seven Standards and Conditions:

- **Modular Architecture** – such as utilization of hCentive framework and additional SOA-based build-out of functionality, etc.
- **Complies with MITA Guidance** – such as ongoing evaluation of project adherence to Seven Standards, etc.
- **Incorporates Industry Standards** - of HIPAA transaction standards, industry-standard EDI formats, federal transaction formats, etc.
- **Leverages Existing Sources** – including utilization of the FDSH and existing State data sources, hCentive code base, other relevant state artifacts/processes/code, programming enhancements created for other state exchanges, etc.
- **Delivers Business Results** - eligibility engine is built around a consumer-facing portal, data sources and automated processes are used wherever possible to minimize manual interventions, a well-trained call center staff and clear, client-centric interactions, etc.
- **Provides Reporting Capabilities** - full transaction and data auditing is intrinsic to system architecture, existing reporting mechanisms (MMIS, etc.) are leveraged wherever possible, overall focus on data and process transparency, etc.
- **Interoperability with Existing and Future Business Systems** - Eligibility system designed as a business service within the overall portfolio of Exchange processes, MMIS system data and processes provides interoperability with existing public program systems and business processes, such as Medicaid, CHIP, and third party management, etc.

6.0 Organizational Structure to Support State Agency Coordination

To support the necessary Exchange activities, New York State agencies collaborate on policy decisions, on providing services, and to share data. The multi-agency team has identified and is developing policies and processes for the following points of integration:

1. Exchange and DFS Coordination
 - Co-regulate commercial insurance/HMOs
 - Oversee performance of QHPs
 - License and regulate producers
2. Developing MOUs with other agencies to support Exchange eligibility and enrollment:
 - Tax and Finance
 - Department of Labor
 - Others as appropriate
3. Coordination with other DOH offices
 - Office of Health Insurance Programs - Division of Health Insurance Reform and Health Insurance Exchange Integration
 - Office of Health Insurance Programs- Division of Managed Care
 - Office of Patient Safety
 - Coordination between Individual Exchange and SHOP divisions of the Exchange
 - System capabilities
 - Back end capabilities
 - Program level

When it comes to the sharing of data with the Exchange there will be multiple categories of Data Use Agreements. For those agencies requiring an agreement, Data Use Agreements or Memoranda of Understanding will be developed and properly executed to be in compliance with federal and state regulations.

Federal Data Services Hub is currently the only known interface to require an Interconnection Security Agreement with the federal government and once final guidance is released, the Exchange will proceed with the agreement as required.

7.0 Coordination with Federal Government

The New York Exchange remains in close contact with our State Officer and others at CMS. We communicate regularly via phone and email, which allows us to reduce any impediments to achieving progress.

Project communications are the Exchange team's primary tool for promoting cooperation, participation, coordination and an understanding of acceptance with CMS. The following are the goals of external communications with CMS and related Federal stakeholders:

- Enable the State to establish and maintain a continuous, effective communications conduit between the Project and CMS
- Support the State to ensure that CMS has sufficient information to maintain appropriate oversight for the Project
- Support the State to ensure that CMS is empowered to participate in ongoing project activities
- Enable the State to provide a shared forum, such as a collaboration site, for working with HHS, CMS, CCIIO, ANSI, NIEM, and other Federal stakeholders to identify, share, enhance, and publicize reusable Project deliverables. These deliverables might include business process models, data models, Agile SDLC artifacts, reusable SOA objects, or web functionality, among others

8.0 Strategies for Reuse, Sharing and Collaboration

New York embraces the goal of reusing technologies, sharing best practices and lessons learned; and collaborating with other states as often as possible. New York leverages available federal resources and uses the Collaborative Application Lifecycle Tool (CALT) to enable other states to utilize information that New York has completed. So far, New York has shared many artifacts and market research and policy reports with other states and in the near future more will be shared, including:

- Business process rules and flows
- Codified rules in a format compatible with the I-Log rules engine
- Clarifications on policy questions posed to CMS and IRS, unless previously circulated
- Complex business processes that will become available:
 - Income determination
 - Eligible household determination
 - Lawful presence confirmation
 - Plan selection (list manipulation and prioritization)
 - SERFF data exchange
 - 834 generation
 - Notice specification and assembly

9.0 Strategies to Ensure Financial Integrity Mechanisms are in Place

The Exchange has instituted policies and procedures that promote compliance with the financial integrity provisions of the ACA. The Exchange will determine the specific accounting standards to which it will comply, including the Government Accounting Standards Board, Government Accountability Office (GAO) Government Auditing Standards (Yellow Book), and the OMB Circular A-123 "Management's Responsibility for Internal Control.

Specific Fraud Prevention and Mediation Measures

In addition to the processes and procedures outlined above, other specific actions will help the Exchange to prevent or address instances of fraud, waste, and abuse. The New York State Public Officers Law and the Department of Health Employee Manual will inform the implementation of these tasks

Annual Audits

The Exchange will contract with an independent, qualified accounting firm to perform an annual audit of the Exchange as required by federal and state laws and rules. This will include audits of the collection, aggregation, and distribution of premiums for the SHOP Exchange, as well as audits of Exchange performance and outcomes. The results of the annual audit will be posted on the Exchange website and communicated directly to HHS, OSC, DOH, and other appropriate State agencies.

10.0 Challenges that may affect progress

The Exchange project is a complex and multi-stakeholder initiative with many parallel components in development and strict time constraints. There are several challenges and risks of this project at all levels, including the dependencies on many systems and processes outside of its control, such as the Federal Data Hub, other Federal systems, and the SERFF plan management system. Delays in the timeline for deploying these systems could create delays in the Exchange IT system implementation.

The Exchange has an active risk management process in place. This includes risk identification, ownership and tracking, mitigation, and issue tracking and resolution. Some of the key challenges that face this project include: extremely tight timeframes, availability of state data interfaces, and availability of Federal guidance.

11.0 Approach to Establish the SHOP Exchange

As mentioned in the Past Progress section, there are over 400,000 small businesses in New York State and they account for two-thirds of the jobs in the State. Based on Urban Institute Simulation modeling, we estimate that when fully implemented, the Exchange will bring comprehensive affordable health insurance coverage to 450,000 employees of small businesses through the SHOP Exchange.

New York's systems integrator, CSC will be responsible for the design, development, implementation and operation of the Exchange IT systems for the individual and SHOP Exchanges. CSC will leverage the hCentive product for SHOP functionality, which provides a significant portion of required functionality "off the shelf" and will be further refined to meet our SHOP Exchange needs.

The Exchange has also engaged expert consultants to assist in analyzing various SHOP design issues and to assist in the development of business process and requirements that comply with federal law and regulation. In July 2012, New York entered into a contract with KPMG to assist the State's analysis and decision making related to the design and operation of the SHOP. This effort includes a high-level review of state and federal laws and regulations related to the design and operation of the SHOP; information on SHOP related activities in other states, and advice on key SHOP business requirements and processes needed for development of New York's SHOP Concept of Operations. The scope of the work includes the following areas:

- **Producers**
 - Certification and Training Process
 - Account Setup
 - Compensation Approach
 - Account Maintenance
 - Managing Individual Client Accounts
 - Customer Support Referrals
- **Employers**
 - Contribution Options
 - Plan Selection
 - Registration and Verification
 - Premium Billing and Collection
- **Employees**
 - Account Setup
 - Plan Selection
 - Consumer Decision Support Tools
 - Customer Support
- **Issuers**
 - Premium and Billing Collection
 - Enrollment
 - Account Maintenance
 - Rate Review and Approval Frequency

Critical to the success of the SHOP Exchange is working with small businesses and their representatives to learn what will best meet their needs. The Exchange, with the support of the Robert Wood Johnson Foundation, has engaged Wakely Consulting to enhance the State's understanding of current small business insurance practices to facilitate design of a SHOP Exchange that adds value for New York's small businesses.

Understanding and building upon the distribution channels currently in place for small businesses to purchase insurance is also key to the success of the SHOP Exchange. In New York State, agents and brokers (producers) play a vital role in facilitating the purchase of coverage in the small group health insurance market. According to recent research, on average, eighty-eight percent of small group sales are assisted by producers. Producers are licensed and regulated by DFS and held to rigorous licensure and continuing education standards. New York's producers have well developed relationships with employers, insurers, chambers of commerce and business associations. Additionally, an extensive network of general agents is in place to support producers and insurers in servicing employers. They are well poised to assist employers and employees in navigating the new range of options that will become available in 2014 through the Exchange. New York will invite producers to enter into agreements with the Exchange to enroll and service employers (in addition to individuals). As a condition of participation with the Exchange, the producers will be required to have an active producer's license and a certification that they have completed necessary educational requirements relating to SHOP.

Finally, New York has decided not to increase the definition of small group size from its current statutory level of 50 employees in 2014. New York asked the Urban Institute as part of the Simulation Modeling conducted for the Exchange to estimate the impact of increasing the small group size to 100 prior to 2016. Urban Institute's modeling showed that the group size definition had no significant impact on premiums in the Exchange or coverage differences in 2014.