

State of Arkansas

Arkansas Insurance
Department

Arkansas Health Benefit Exchange Planning Project

Business Operations Plan

Version 1.0

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First Data[™]
beyond the transaction

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Document History

This document is controlled through the Document Management Process. To verify that the document is the latest version, please contact the First Data Team.

Date	Version	Responsible	Reason for Revision
September 14, 2011	1.0	David Sodergren/Kathy Grissom	Initial Submission

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1 Introduction

It is extremely tedious to make one's way through the opinion papers, scholarly articles, blogs, commentaries and CMS proposed rules bombarding States with information about how to set up their Health Benefits Exchange. The Arkansas Insurance Department and its HBE Planning Team selected First Data to assist in Exchange planning and, specifically, to begin recommending an operational structure within which the Exchange could do its business. The First Data Team conducted interviews with representatives of state agencies (program and IT staff); consulted other stakeholder groups; attended work groups and steering committees; researched the best communication, outreach, education and evaluation strategies; investigated the Arkansas insurance market and gathered information about uninsured Arkansans all in an effort to gather the broadest picture of how Arkansas can best establish a successful Exchange.

This Business Operations Plan builds on the results of that research as presented in previous reports and on First Data's experience with the creation of other new mandated programs to present preliminary recommendations for the organization and operations of the Exchange. These recommendations are organic and, as more information is known both from the State and Federal level, the recommendations will be adjusted to maximize the success of the Exchange.

Detailed discussion/explanation on which many of these recommendations are based can be found in the:

- Program Integration Plan
- IT Integration Plan
- Communication/Education/Outreach Plan
- Evaluation Plan
- Market Place Report

2 Exchange Leadership & Management

The leadership and management of the Exchange fall naturally into four areas – administration, communication/outreach, evaluation/quality assurance, and reporting. These areas are central supports to the overall success of the Exchange long term.

2.1 Administration

Regardless of the Governance Model chosen for the Exchange, there are core administrative tasks that must be performed. Given the current thinking in Arkansas, the First Data team is recommending an administrative structure that is consistent with the Exchange being operated by an appointed board under the auspices of the Arkansas Insurance Department (AID). When the governance model is confirmed, necessary adjustments to these recommendations can be made if needed.

The Exchange must have leadership staff to provide adequate administrative direction and oversight of the various Exchange departments. There must also be adequate support staff to assure that all employment needs are met (payroll, human resources), that the physical plant is properly maintained, equipped and supplied, and that routine, consistent interaction occurs between the Exchange and other relevant agencies such as AID, DHS, ADH, OHIT and DIS.

Under the Administrative structure we have also included responsibility for investigating complaints against QHPs or Navigators. Our recommendation is that the Exchange contract for the addition of staff to the existing AID Consumer Services office equivalent to two FTEs. We also recommend that the consultant hired to set up the Call Center include responsibility for establishing the referral process/linkage between the Call Center and the AID Consumer Services office.

Given the new, ever-changing nature of the Exchange effort, it will be prudent to have consistent access to the expertise of a consulting attorney familiar with CMS and/or the insurance industry. A consulting contract with a law firm assures adequate resources for research as well as developing regulations, contracts and ongoing advice to the Exchange's leadership. Our anticipation is that these resources will be needed extensively during planning and early operation but will diminish as Federal regulations are finalized and routine operation of the Exchange is established.

Lastly we recommend securing the services of an accounting firm to function as financial advisor. Under their direction, the Exchange's financial systems will be established and monitored on at least an annual basis to assure adherence to sound accounting practices.

2.1.1 Recommendations

Assumptions:

- The Exchange will be organized as a quasi-governmental agency affiliated with the Arkansas Insurance Department but under the direction of an appointed board
- Exchange employees will be state employees or contractors with the state
- The Exchange staff will be housed in a designated, contiguous space with the possible exception that the Call Center may be off site. This will support sharing of support staff, equipment and other resources.

Recommended Administrative Management staff:

Position	FTEs
Exchange Director	1
Chief Operating Officer	1
Contracts/Grants Manager	1
Legal Advisor	*
Financial Advisor	*
Liaison with other state agencies	2
Administrative Assistant	4
Personnel Specialist	1
Liaison to CMS	.5
Communication Specialist	.5

* denotes contract staff

2.1.2 Preliminary Costs

Category	Annual Cost
Exchange Management Staff	\$540,000
Consumer Services Staff	\$400,000
Postage	\$750,000
Administrative/Supplies	\$20,000
Travel/Expenses	\$20,000

2.1.3 Milestones

Milestone	Date
Designate Exchange Director	January 1, 2012
Employ Chief Operating Officer, Contracts	April 1, 2012

Milestone	Date
Manager and 2 administrative assistants	
Occupy Exchange designated space	September 1, 2012
Employ/contract for remainder of administrative staff	January 1, 2013
Establish AID Consumer Services support	April, 2012

2.2 Communications/Outreach

The communications, education and outreach for the Arkansas Health Benefits Exchange (HBE) will be critical to the success and sustainability of the Exchange. The audience will include not only consumers of diverse backgrounds, educational levels and cultures, but small business owners, health care providers and other stakeholders across the state. The messages and their delivery must be carefully targeted to match the priorities and communication styles of the intended audience, without alienating other groups.

The plan for communication, education and outreach is discussed in detail in Section 3 of the Communication/Education/Outreach Plan.

2.2.1 Recommendations

We recommend a three-phased approach for outreach and communications:

- **Phase 1 (2011, 2012, 2013)** – Create HBE brand awareness and overarching message: what it is, the legal obligations to purchase insurance and its benefits to Arkansans and small business owners
- **Phase 2 – (2013)** Targeted education and communication near “go-live” date: 60 to 90 days in advance of launch
- **Phase 3 – (2013, 2014)** Conduct a statewide media relations effort: focus on launch of the HBE. Drive traffic to the Exchange website; explain consumer access to affordable, quality health plans; provide specific information about eligibility and how to enroll; provide ongoing updates

2.2.2 Preliminary Costs

Assumptions:

- Activities would be done by a contracted entity, not by in-house staff
- All materials would have to be developed. There exists no reusable material.
- Will piggyback on existing communication channels where possible

Function	Amount
2012	
Project Management	\$97,500
Branding/Creative Development	\$225,000
Market Research	\$45,000
Collateral/Educational Materials	\$112,500
2013	
Project Management	\$97,500
Public/Community Relations	\$281,250
Collateral/Educational Materials	\$112,500
Advertising/Media Buying	\$393,750
Trade Show Exhibit/Kiosk	\$82,500
2014	
Project Management	\$97,500
Public/Community Relations	\$281,250
Advertising/Media Buying	\$393,750
Trade Show Exhibit/Kiosk	\$30,000

2.2.3 Milestones

Milestone	Date
Phase 1	1/1/12 - 9/30/12
Phase 2	1/1/13 - 12/31/13
Phase 3	1/1/13 - 12/31/14

2.3 Evaluation/Quality Assurance

The Evaluation Plan submitted via separate document is designed to support a comprehensive assessment of Arkansas's new health insurance exchange. Evaluation is focused on three primary components:

- **Implementation evaluation** focuses on the process of Exchange introduction to the public. A solid implementation evaluation serves as the foundation for outcomes and efficiency evaluations since the latter depend on successful implementation.

- **Outcomes evaluation** centers on the policy objectives of the Exchange and is designed to address various policy-relevant potential effects of the new Exchange.
- **Efficiency evaluation** identifies whether the Exchange was implemented with minimal waste and whether the health outcomes were achieved in the most cost-effective manner.

It is essential that cooperative partnerships occur in the measurement of the implementation, outcomes and efficiency of the Exchange in order for the impact to be successful and for the Exchange to experience the most in cost-effectiveness. The measures presented in the Evaluation Plan are designed to track many aspects of health care, including satisfaction with care, quality of care, access to care, utilization of care, and cost of care. Although funding for an evaluation requires a financial commitment upfront, the benefits result in health improvement for Arkansans and a cost-effective and efficient health system which lead to potentially greater cost savings long-term.

2.3.1 Recommendations

Rather than developing expertise in house, the Exchange should contract with an organization that has proven experience in the type evaluations needed. Monitor the contractor to assure that the required evaluation protocols are developed, field tested and deployed. Review the evaluation results and work with the contractor to modify the evaluation tools as needed.

2.3.2 Preliminary Costs

Function	Amount
2012	
Project Management	\$97,500
Branding/Creative Development	\$225,000
Market Research	\$45,000
Collateral/Educational Materials	\$112,500
2013	
Project Management	\$97,500
Public/Community Relations	\$281,250
Collateral/Educational Materials	\$112,500
Advertising/Media Buying	\$393,750
Trade Show Exhibit/Kiosk	\$82,500
2014	
Project Management	\$97,500
Public/Community Relations	\$281,250
Advertising/Media Buying	\$393,750

Trade Show Exhibit/Kiosk	\$30,000
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2.3.3 Milestones

Milestone	Date
Develop/field test of evaluation instruments	10/1/13 - 12/31/13
Deploy evaluation instruments	1/1/14

2.4 Reporting

The full extent and types of reporting that will be needed are not yet known. CMS has specified that some routine reporting will be required regarding enrollment activity and health plan participation but indicated that more details will be forthcoming. An endeavor of this magnitude will also require routine activity reports to support management decisions. It also stands to reason that the state will require reporting in its efforts to monitor this new state activity. However, it is too early in the planning process to begin listing the type or frequency of reports needed.

2.4.1 Recommendations

Build into the design of the IT system methods to capture data on a regularly scheduled basis (such as monthly enrollment reports) and on an as-needed basis (such as reports that might be needed to support requests for additional funding). Assure that someone on staff is assigned responsibility for reviewing information from CMS to capture reporting requirements and bringing them to the Exchange Director's attention.

2.4.2 Preliminary Costs

These costs are incorporated into the IT costs and the Administrative costs associated with Exchange operations.

2.4.3 Milestones

Milestone	Date
Ability to generate reports	9/1/13

3 Eligibility and Enrollment

A primary principle of the Health Benefits Exchange is that enrollment and eligibility determination will be automated processes facilitated through the Exchange web portal. The Exchange staff must establish the criteria, the needed interfaces and the business rules to support this automation. Staff must also monitor operations and take advantage of opportunities to modify the automation to improve performance, user satisfaction or respond to changing Federal guidance.

Secondary to the automation, there must be staff available to address appeals to eligibility decisions; provide assistance to consumers with unusual circumstances/significant changes in circumstances; and investigate suspected fraudulent consumer reporting.

3.1 Findings from Previous Work

Based on discussions with staff in multiple state agencies, the keys to success with enrollment and eligibility lie with the development of correct IT system (web portal, business rules engine, and interfaces) and tapping into the expertise of the eligibility staff at DHS and AID.

3.2 Recommendations

The Exchange Planning Team must work closely with representatives of DHS to develop the requirements for the IT system and the business rules engine. They must work closely with representatives of AID to assure that Qualified Health Plans (QHPs) are correctly portrayed on the web portal.

And lastly, they must work closely with DHS to determine the most efficient method to assure staff with adequate skills and training is available to address issues that cannot be solved by the Exchange's automation.

3.3 Preliminary Staffing Plan

Issues related to non-Medicaid consumers will be addressed primarily by Navigators in the community but we recognize the need to resolve appeals of subsidy awards and additional research when a consumer has a significant change in circumstances. To meet this need, we recommend that an investigator level staff person be added to the AID Consumer Services office.

After further discussion with DHS, we recommend that the Exchange plan to support the addition of 72 case workers to the DHS staff to provide needed services for the new Medicaid population that will be identified through the Exchange. This represents 20% of the DHS' existing 360 case worker staff that is dedicated to Medicaid recipients. These additional workers will be needed to address eligibility appeals, assist consumers with unusual circumstances and perform needed verifications for annual re-enrollment. Given

the current resources and physical plant in the DHS county offices, the Exchange will need to finance additional work space, equipment and supplies for each new case worker.

As with other recommendations, as CMS finalizes requirements, this recommendation will be reviewed and is subject to change but given information currently available is a good basis for planning.

3.4 Preliminary Costs

Category	Annual Cost
Investigator for AID Consumer Services	\$80,000
72 Case Workers for DHS	\$6,480,000
Set Up Costs	\$30,000

3.5 Milestones

Milestone	Date
Staff Recruitment	4/1/13 - 5/31/13
Staff Start Date	6/1/13
Staff Training	6/1/13 - 7/1/13
Establish Interfaces with QHPs	8/1/13 - 9/30/13
Eligibility/Enrollment System "Go Live"	10/1/2013

4 Call Center

ACA required the Exchange to provide for the operation of a call center to respond to requests for assistance by consumers; a call center that is accessible via a toll-free telephone number. In Proposed Rules currently available for comment, CMS clarifies that states have significant latitude in how the Exchange call center is structured, but lists at least four areas where capability should be provided:

- Types of QHPs offered by the Exchange;
- Premiums, benefits, cost-sharing and quality ratings associated with OHPs offered;
- Categories of assistance available; and
- The application process for enrollment in coverage.

While the final rule has not been issued, it seems prudent to include these suggestions when considering the design of the call center for the Arkansas Exchange.

The call center's purpose is to support the services provided through the Exchange website and the Navigators. Those contacting the call center will be individuals interesting and employers with small businesses.

4.1 Findings from Previous Work

Several state agencies currently have some call center capability although each is limited in scope and appears to serve a specific, targeted audience. These agencies include the Department of Human Services, the Employee Benefits Division of the Department of Finance and Administration, the Department of Information Services and the Arkansas Insurance Department. It does not appear feasible to expand any one of these to encompass the Exchange functionality.

However, it does appear feasible for the AID call center to assume responsibility for complaints against the QHPs in the Exchange and the Navigators. This is compatible with their current focus and will be a natural compliment to AID's role in certifying the QHPs and licensing/certifying the Navigators.

4.2 Recommendations

The First Data Team recommends that the call center be an operational unit of the Exchange and be located, if possible, with the other administrative and operational units of the Exchange. The specific components of the call center are discussed in more detail in the Communication/Education/Outreach Plan. We also recommend that the HBE Planning Team contract with a consultant whose sole responsibility would be to lead the design and implementation of the call center to meet Arkansas's needs. The consultant's work would lead to the call center being operational by September 1, 2013.

4.3 Preliminary Staffing Plan

One of the responsibilities of the consultant recommended above is to determine the best staffing plan to assure optimal operation of the call center 7:00 AM to 7:00 PM, Monday through Friday (excluding recognized holidays). We also recognize that there will be peaks and valleys in the volume of Call Center contacts, primarily around enrollment/re-enrollment activities. We based our preliminary cost estimates of the following staffing plan which assumes an average of 20 CSRs on staff (more during peaks, less during valleys):

Position	FTEs
Call Center Manager	1
Supervisors	3
Administrative Assistant	1
Customer Service Representatives (CSRs)	20

4.4 Preliminary Cost Estimates

Assumptions:

- Space would be available to house the call center but would need to be modified for that purpose and fully equipped
- All staff except the consultant would be employees
- The call center would use telephony services provided by the Department of Information Services
- Cost of the CRM (customer relationship management) system is included in the IT costs elsewhere in this document

Function	Amount
Start up:	
Consultant	\$100,000
Telephone and IT set up through DIS (80 lines, development, IVR)	\$400,000
CRM automation support cost (included in overall IT costs)	N/A
Staff Training	\$5,000

Function	Amount
Work Stations, equipment, physical plant modifications	\$50,000
Annual Costs:	
Telephone maintenance	\$800,000
Staff Salaries	\$850,000
Physical Plant	\$12,000
Staff Training	\$1,000

4.5 Milestones

Milestone	Date
Employ consultant	10/1/12
Identify physical plant	2/1/13
Complete telephone/IT/workstation installation	7/15/13
Employ Staff	8/1/13
Complete staff training	8/30/13
Begin operations	9/1/13

5 Navigator Program

The Navigator's role in Arkansas will be one of advocate, educator and guide, particularly for those who may not be computer-literate or well-versed in insurance terminology. Navigators will be responsible for distributing accurate, fair and impartial information concerning enrollment in QHPs and should serve an educational role with regard to informing individuals and businesses of the availability of premium tax credits and cost-sharing reductions in accordance with federal tax laws. While they will facilitate enrollment, they will not actually enroll those they assist. Enrollment should be completed by individuals through the Exchange portal, the call center or by a broker/producer, depending on the preference of the individual consumer.

5.1 Findings from Previous Work

The Navigator's role, compensation, training and other aspects of the Navigator program are being heavily debated nationally and statewide. States face difficult decisions and must take care to keep the consumers' well-being, public perception of the program and long-term sustainability of the Exchange firmly in mind. Our recommendations for Navigators are based on research using the Arkansas SHIIP volunteer model, the National Association of Insurance Commissioners whitepaper on the roles of Navigators and Producers, the UAMS Health Benefits Exchange Survey and community meetings data, studies funded by the Robert Wood Johnson Foundation, the NWA Agents for a Better Arkansas Health Benefits Exchange (HBE) recommendations, the National Association of Health Underwriters report on the role of Navigators, the Navigator efforts of other states pursuing an HBE, as well as sustainability considerations and federal funding restrictions.

5.2 Recommendations

While more detail is available in Section 4 of the Communication/Education/Outreach Plan, a brief listing of the First Data team's recommendations follows:

All Navigators and producers enrolling consumers in the Exchange should be trained and receive some type of certification. A modest certification fee (we recommend \$25) will help cover the cost of training without being a financial burden for potential Navigators.

Annual continuing education/re-certification requirements, along with a nominal fee for recertification, should be built into the system to ensure that all Navigators/producers are kept up to date regarding changes in the Exchange, regulations or the Navigator role. Changes should also be communicated to Navigators/producers via email and/or direct mail.

The Navigator program will operate and function as a traditional, competitive, grant program with a predetermined funding amount available by a geographic area or method of distribution determined by the Exchange.

The Exchange and its consultant will develop criteria and procurement methodology.

5.3 Preliminary Staffing

Position	FTEs
Supervisor	1
Training Oversight	.5
Navigator Oversight	4.5

5.4 Preliminary Costs

Assumptions:

- A consultant will be employed during the Exchange planning/implementation phase to design the Navigator program
- Navigators will be compensated via a traditional, competitive, grant program
- Navigator training will be provided online

Function	Amount
Start up:	
Consultant	\$200,000
Design and Development of Training	\$100,000
Annual Costs:	
Staff Salaries	\$515,000
Grants	\$2,200,000

5.5 Milestones

Milestone	Date
Navigator Credentialing	
Establish Guidelines	6/1/12 – 9/15/12
Board Approval	August, 2012
Publish Guidelines/Grant Procedures	10/1/12
Navigator Contractor	
Procurement Stage	11/1/11 – 3/31/12
Engagement	4/1/12 – 12/31/12

Milestone	Date
Navigator Training Contractor	
Procurement Stage	6/1/12 - 9/15/12
Engagement	10/1/10 - 2/15/13
Program Staff	
Recruitment Stage	9/1/12 - 1/31/13
Staff Start	2/1/13

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6 Health Plan (HP) Management

This segment of Exchange operations involves the efficient evaluation of the health plans (HPs) submitted by insurance carriers for certification to be included in the Arkansas Benefits Exchange. When certified, these qualified health plans (QHPs) are the critical element to expanding the insurance options to the Arkansas citizens.

The ability to access standardized QHP information presented on the web is essential to simplifying the consumer's ability to compare plans. Each QHP must be portrayed in an understandable, concise manner and the Exchange must assure that there is a mechanism in place to maintain its accuracy at all times.

6.1 Findings from Previous Work

AID has processes and procedures in place to authorize insurance plans to do business in the state and to monitor their performance. They will continue to perform this function for plans that do not choose to participate in the Exchange.

6.2 Recommendations

Assumptions:

- AID is responsible for establishing the regulatory standards for a QHP within the State of Arkansas.
- The Exchange is responsible for defining the process and procedures for administering the QHP certification process.
- AID Rate Review staff will perform a key role in the evaluation of the premium pricing structures during the QHP evaluation/certification process.
- All administrative and process support tasks including day-to-day management of the QHP certification process will be handled by the Exchange staff.
- The Call Center will handle initial calls and inquiries regarding the QHP process and procedures.
- The QHP Management team is primarily focused on managing the internal procedures for certifying insurance plans submitted by insurance carriers including ongoing maintenance of the QHP information.

Recommend that the Exchange establish a working agreement and any needed processes for handling the Rate Review function within the QHP certification process with AID.

6.3 Preliminary Staffing

The HP Management staff should not represent a significant team size for the following reasons –

- The QHP Management process should be designed with a high-level of automation support utilizing a web-based process that encourages the insurance carriers to submit and maintain their insurance plans through the Exchange portal.
- The QHP process is primarily an annual cycle with a short period of certification/recertification process management.
- The Call Center should be trained to handle the bulk of the initial calls regarding system access, high-level process questions, and online tool support.

Reporting to the Exchange Chief Operating Officer, the HP Management staff shall consist of:

Position	FTEs
HP Supervisor	1
HP Administration Staff	2-3

6.4 Preliminary Costs

Estimate \$540,000 annually.

6.5 Milestones

Milestone	Date
Health Plan Credentialing	
Establish Guidelines/Submission Procedures	9/1/12 – 2/28/13
Board Approval	March, 2013
Publish Guidelines/Submission Procedures	4/1/13
Operations Setup	
Health Plan Management Automation – “Go Live”	4/1/13

Milestone	Date
Program Staff	
Recruitment Stage	4/16/12 - 8/15/12
Staff Start	8/15/12
Staff Training / Credentialing Procedures	8/15/12 - 2/28/13

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7 Financial Management

There are two forms of premium payment processes that must be evaluated – Individuals and SHOP participants. This segment of Exchange operations involves supporting the proper, efficient handling of premium payments, government subsidies and employer contributions from SHOP participants.

7.1 Findings from Previous Work

DHS has processes in place to accept payment for coverage through their ARKids program that would be applicable for the Exchange if needed.

7.2 Recommendations

The most efficient method would be for the premium payment (regardless of source) to be made directly from the payer to the insurance plan.

Individual Premiums

Per Federal Regulations, the Federal government subsidies for individuals will be paid directly to the insurance carriers. If the premium payments are made directly to the insurance carriers, then the Exchange would not need to handle any payment processing. For the individual premium processing the Exchange would only be responsible for collecting and reporting information from the carriers.

SHOP Premiums

It is critical that the Exchange simplify the employer contributions for SHOP participants. Therefore, the Exchange must account for collection of the employer contributions and subsequent disbursement of the funds to the appropriate insurance carriers. The Exchange will need a mechanism to accept electronic payments via EFT and/or credit card; secure payments; and disburse payments to the proper insurance plan. It will also need processes in place to account for all funds received and disbursed. The Financial Advisor recommended in the Administrative section of this document would take the lead in setting up these processes and monitoring performance.

7.3 Preliminary Staffing

Assumptions –

- Premium payment will be made directly from the payer to the insurance plans.
- Employer contributions must be submitted via EFT or other electronic payment mechanisms.

Position	FTEs
Financial Management Supervisor	1
Financial Management Staff	2-3

7.4 Preliminary Costs

Estimate \$540,000 annually.

7.5 Milestones

Milestone	Date
Staff Recruitment	8/1/13 – 11/30/13
Staff Start Date	12/1/13
Staff Training	12/1/13 – 12/31/13
Establish Interfaces with QHPs	10/1/13 – 12/31/13
Finance Management System “Go Live”	1/1/14

8 IT Application/Operations Support

The goals of the Health Benefits Exchange (HBE) IT Integration task is to avoid duplication of effort and maximize existing Arkansas business and technical resources and optimize Federal funding streams.

8.1 Findings from Previous Work

As stated within the IT Integration Plan, Information Technology in the State of Arkansas is very much in a state of transition. There are multiple efforts recently started to develop new systems or replace/upgrade existing technology systems. Many of these efforts are in the early planning phases, i.e. RFP's were being developed or written or the agency is still awaiting responses from published RFP's. Target implementation dates are defined for all of the initiatives, however as these RFP's and projects are in the early planning stages, these dates are not firm yet and will have to be monitored to ensure they are appropriate for the overall plan.

On a positive note, the picture should become much clearer during the last quarter of 2011 (Q4 2011). For example, the RFP responses for DHS' Business Rule Management System (BRMS) and Medicaid Management Information System (MMIS) systems, as well as OHIT's State Health Alliance for Records Exchange (SHARE), are scheduled to be received and vendors are expected to be chosen either prior to or by the end of Q4 2011. In addition, in many cases the initial phases or pilot deployments are scheduled for completion within Q4 2011. Many of the implementation plans should be solidified. All these accomplishments will provide some much needed clarity.

8.2 Recommendations

The IT Integration Plan provides details to the following list of recommendations -

- Maximize the existing State of Arkansas IT investments
- Continue the Exchange Requirements Development effort
- Establish Interagency agreements for the Planning & Development phases
- Strengthen the Interagency collaboration through focused Program Management and Enterprise Architecture efforts
- Maximize the Federal Support to minimize the State IT maintenance costs
- Strengthen the relationships with the Federal Exchange and other state Exchange efforts

8.3 Preliminary Staffing/Costs

Assumptions:

- The Program Management and Enterprise Architect functions will be shared across the Health Services initiatives (MMIS, HIE, HBE, Integrated Human Services).
- The IT Integration results will be reviewed after the award of the multiple State of Arkansas procurement efforts outlined in the IT Integration Plan.
- Cost figures represent an aggregate Software License plus Staffing and Services costs.
- The Design, Development and Implementation efforts for the Exchange will begin during the 2nd Quarter of 2012 and be completed by October 1, 2013.

The costs of the implementation and subsequent maintenance efforts are illustrated in three categories:

8.3.1 Design/Development/Implementation Costs

Component	Minimum Estimate	Maximum Estimate	Planning Estimate	Comments
Portal	\$1,000,000	\$3,000,000	\$2,000,000	
Member Management	\$500,000	\$3,000,000	\$2,000,000	
Business Rules Management	\$350,000	\$550,000	\$500,000	Cost sharing with other initiatives reduces initial license costs.
Finance Management	\$500,000	\$3,000,000	\$2,000,000	
Customer Relationship Management	\$100,000	\$2,000,000	\$250,000	CRM assets are likely available within the State of Arkansas IT community to leverage.
Health Plan Management	\$500,000	\$3,000,000	\$1,000,000	Lower than splitting the difference due to Federal Asset influence.
Reporting	\$500,000	\$2,000,000	\$1,750,000	Critical Reporting and Data requirements support a conservative planning estimate.
Document Management	\$250,000	\$1,200,000	\$1,150,000	May require a full development effort of the Document Management environment.

Component	Minimum Estimate	Maximum Estimate	Planning Estimate	Comments
Data Exchange	\$500,000	\$1,500,000	\$1,500,000	This is the conservative estimate until the SHARE product is better understood.
Security	\$0	\$0	\$0	No Development cost – leveraging OHIT product/Infrastructure.
Total	\$4,200,000	\$19,250,000	\$12,150,000	

8.3.2 Annual Support/Maintenance Costs

Component	Minimum Estimate	Maximum Estimate	Planning Estimate	Comments
Portal	\$300,000	\$900,000	\$600,000	30% of Development/Implementation cost
Member Management	\$150,000	\$900,000	\$600,000	30% of Development/Implementation cost
Business Rules Management	\$200,000	\$300,000	\$250,000	Cost sharing with other initiatives reduces annual license costs.
Finance Management	\$150,000	\$900,000	\$600,000	30% of Development/Implementation cost
Customer Relationship Management	\$30,000	\$600,000	\$75,000	30% of Development/Implementation cost
Health Plan Management	\$150,000	\$900,000	\$300,000	30% of Development/Implementation cost
Reporting	\$500,000	\$1,200,000	\$900,000	Data/Information management and maintenance cost.
Document Management	\$75,000	\$360,000	\$345,000	30% of Development/Implementation cost
Data Exchange	\$150,000	\$450,000	\$450,000	30% of Development/Implementation cost
Security	\$100,000	\$750,000	\$750,000	Annual licensing costs – driven by estimated usage levels and an estimated per user cost-allocated, license fee
Total	\$1,805,000	\$7,260,000	\$4,870,000	

8.3.3 Program Integration Costs

Component	Minimum Estimate	Maximum Estimate	Planning Estimate	Comments
Program Management	\$125,000	\$500,000	\$250,000	<ul style="list-style-type: none"> Utilizing internal state staff would reduce cost. Leveraging existing project management and focused only on integration of the project timelines this can be accomplished with 1 individual.
Enterprise Architecture	\$125,000	\$1,000,000	\$250,000	<ul style="list-style-type: none"> Utilizing internal state staff would reduce cost. Integration of incorporated Business Architecture components within the procurement efforts will simplify the Enterprise Architecture effort.
Planning/ Quality Assurance	\$1,000,000	\$2,500,000	\$2,000,000	<ul style="list-style-type: none"> Overall complexity of the Enterprise Architecture will increase the Quality Assurance efforts.
Total	\$1,250,000	\$4,000,000	\$2,500,000	

8.4 Milestones

Milestone	Date
RFP(s) / Procurement(s) Released	12/31/12
Design/Development/Implementation	5/16/12 – 7/31/13
QHP “Go Live”	4/1/13
Call Center “Go Live”	9/2/13
Eligibility/Enrollment “Go Live”	10/1/13
Financial Management “Go Live”	1/1/14

The following table identifies some key milestones for ongoing efforts throughout the State that may impact the Exchange IT efforts.

Milestone	End Date	Resource
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Milestone	End Date	Resource
SHARE RFP Published	8/1/2011	OHIT
Core MMIS Responses Due	8/25/2011	DHS
SHARE RFP Responses Due	8/26/2011	OHIT
Secure Sign-on (SSO) Vendor Chosen	8/30/2011	DIS
SHARE Vendor Announced	9/6/2011	OHIT
SHARE Phase I Pilot begins	9/23/2011	OHIT
DHS Eligibility Engine Available	10/31/2011	DHS
SSO Phase I	10/31/2011	DIS
SHARE Statewide Phase I Deployment	11/10/2011	OHIT
Core MMIS Vendor Chosen	11/11/2011	DHS
ARBenefits Oracle Phase-out Complete	12/31/2011	EBD
SHARE Phase II Deployment	4/27/2012	OHIT
Medicaid Eligibility Engine Integrated in Access Arkansas	10/31/2012	DHS
Core MMIS Phase I	10/31/2013	DHS
Core MMIS Phase II	7/31/2014	DHS

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9 Financial Model

The financial model translates the Health Benefits Exchange (HBE) forecasts produced in the behavioral and actuarial models into the appropriate pro forma financial statements. These statements are necessarily simple given the tax treatment and fiscal nature of the HBE.

The financial model indicates financial feasibility given the assumptions and inputs. The expected case of the exchange creates a surplus to general revenue in each forecast year. However, the margin for error in early years creates cause for concern. The net income estimated for 2014 is just over \$8MM, or fees for about 62,000 members. Estimated participation in 2014 is 207,000 members. Thus, the margin for error in these predictions is over 25% percent. The calculated breakeven point would be reached at approximately 145,000 members.

Given this rather tight financial scenario, a revenue smoothing mechanism may be prudent. Alternatively, management could rely more heavily on variable, rather than fixed expenses.

The Financial Model is included as an Attachment to this document.

9.1 Annual Revenue

Given the forward looking nature of a pro forma financial statement, certain assumptions are necessary. Importantly, users may change each of these assumptions and input values (indicated by green highlight in the spreadsheet) in the interactive model to estimate confidence intervals and explore alternative outcomes. These assumptions and other inputs to the model are described below.

- Premium loading factors:
 - ✓ Premium loading factors represent insurer overhead and profit. They are the difference between the dollar amount of benefits paid to providers and the premium paid by policyholders.
 - ✓ The actuarial model estimates per member per month (PMPM) costs of benefits provided in each section of the exchange. However, revenue is determined from premiums charged by insurers participating in the exchanges.
 - ✓ To calculate premium, multiply the PMPM cost times (1 + loading factor). For example, if the PMPM cost is \$100 and the loading factor is 18%, the premium is equal to $(1+.18) \times 100 = \$118$.
 - ✓ We assume loading factors of 18% for individual policies and 13% for group policies. These estimates are set slightly lower than the maximum ratios allowed by the Medical Loss Ratio (MLR) regulation.

- Gross Revenue
 - ✓ Gross revenue is equal to 2.5% of total premium written

9.2 Annual Costs

Annual costs are projected based on the staff and operational costs outlined in this Business Operations Plan. There is a mixture of direct costs (salaries, supplies, etc.), grants for Navigators and contracts with other state agencies or independent consultants.

As noted throughout this document, these are the best recommendations we can make at this stage in planning the Exchange. If/When they need to be changed; the Financial Model will be modified accordingly.

9.3 Implementation Costs

All costs prior to January 1, 2014 are considered initial Implementation costs with the exception of any Navigator grant funds that start prior to January 1, 2014.

10 Summary

This Business Operations Plan recommends an operational model for the Exchange using:

- Information currently available from CMS regarding Exchanges
- Information gleaned from discussions with Exchange Planning Staff and representatives of the impacted State agencies/organizations,
- A review of State IT assets and Exchange IT needs,
- Development of a Financial Model subsequent to an analysis of the insurance market place and the State's uninsured population and actuarial modeling, and
- Industry knowledge for other similar efforts.

As stated throughout this document, this Plan is to be considered a work in progress. As decisions are made at the State and Federal level and more information becomes available, the assumptions and recommendations should be reviewed and updated accordingly

11 Attachment – Financial Model

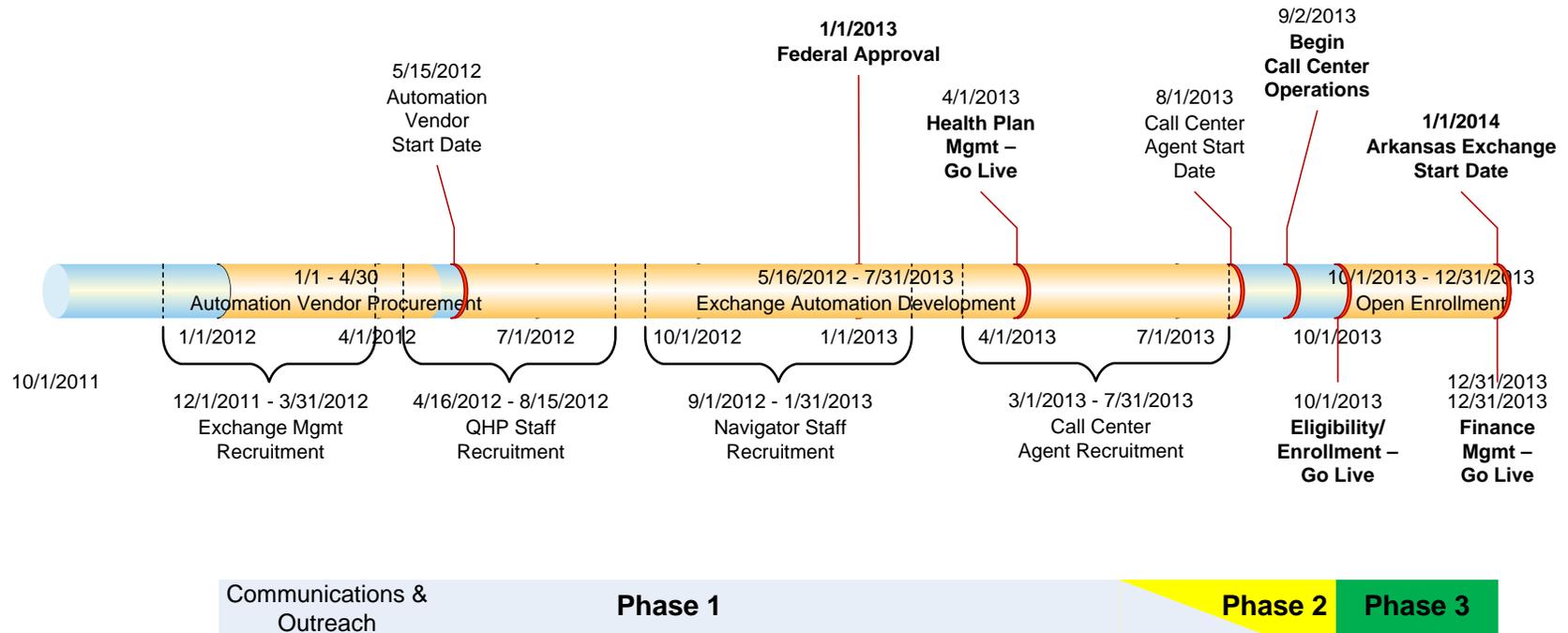
Pro-Forma Income Statement

Arkansas Health Benefits Exchange

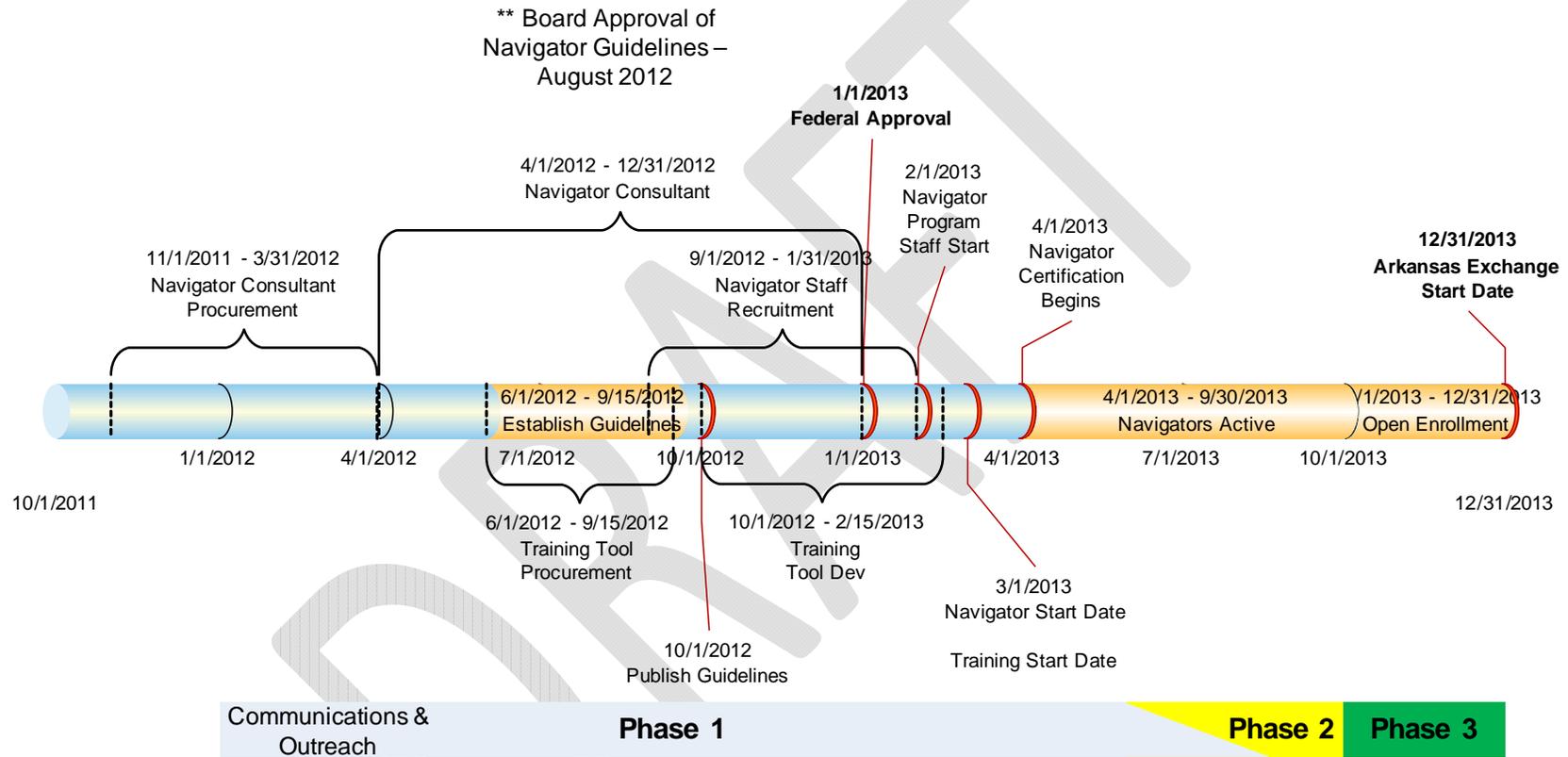
for years 2014 through 2019

REVENUE	2014	2015	2016	2017
Gross Fees @ 2.5% of premium	\$28,565,992	\$32,636,037	\$38,152,291	\$44,629,880
Gross Profit (Loss)	\$28,565,992	\$32,636,037	\$38,152,291	\$44,629,880
OPERATING EXPENSES				
Outreach				
Navigator Compensation	\$2,200,000	\$2,200,000	\$2,200,000	\$2,200,000
Commissions	0	0	0	0
Communication & Education	802,500	802,500	802,500	802,500
Other				
Total Outreach Expenses	\$3,002,500	\$3,002,500	\$3,002,500	\$3,002,500
Technology				
Annual expense	\$4,870,000	\$4,870,000	\$4,870,000	\$4,870,000
Total Technology Expenses	\$4,870,000	\$4,870,000	\$4,870,000	\$4,870,000
General/Administrative				
Labor (including benefits)	\$9,945,000	\$9,945,000	\$9,945,000	\$9,945,000
Evaluation/Quality Assurance	606,000	606,000	606,000	606,000
Call Center Facilities	813,000	813,000	813,000	813,000
Office supplies	20,000	20,000	20,000	20,000
Travel & Expenses	20,000	20,000	20,000	20,000
Postage	750,000	750,000	750,000	750,000
Total General/Administrative Expenses	\$12,154,000	\$12,154,000	\$12,154,000	\$12,154,000
Total Operating Expenses	\$20,026,500	\$20,026,500	\$20,026,500	\$20,026,500
Net Income Before Taxes	\$8,539,492	\$12,609,537	\$18,125,791	\$24,603,380
Taxes on income	0	0	0	0
NET INCOME (LOSS)	\$8,539,492	\$12,609,537	\$18,125,791	\$24,603,380

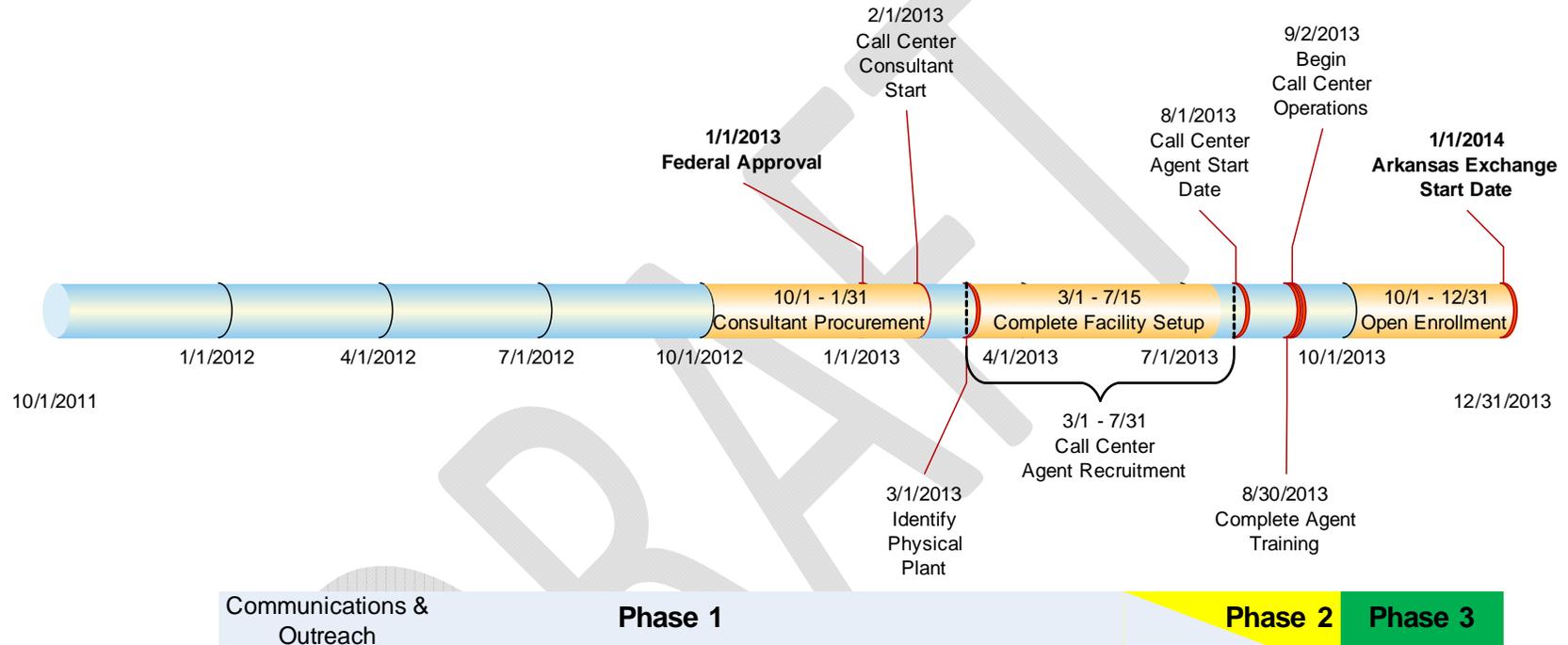
12 Attachment – Operations Timeline



13 Attachment – Navigator Timeline



14 Attachment - Call Center Timeline



15 Attachment – Health Plan Management Timeline

