

Minnesota Budget Narrative
Grant 1-HBEIE120107-01-00
Revised June 21, 2012

Updated for Revised Budget and Cost Allocation

Minnesota is proposing to update their cost allocation formulas and current Establishment Grant budgets based on updated Exchange enrollment estimates and grant budget IT needs identified since the original grant applications for the following grants:

- 1 - HBEIE110068-01-00 – awarded August 15, 2011,
- 1 - HBEIE120107-01-00 – awarded February 22, 2012

Minnesota is proposing to use the most recent enrollment estimates provided by Dr. Jon Gruber of MIT and Bela Gorman of Gorman Actuarial. The revised estimates were received by Minnesota in April of 2012 and are would replace prior estimates for the August grant that used information from the Minnesota Department of Health and for the February Grant that used preliminary numbers from Dr. Gruber and Bela Gorman.

Budget amounts for the two grants are also being updated for IT infrastructure needs based on cost information identified since the original budget.

Total Budget Request

A. Salaries and Wages

Personnel

Total	\$1,115,899
Exchange Establishment Grant	\$1,037,197
Medicaid Cost Allocation	\$78,702
Sources of Funding	Exchange Level-One Establishment Grant and Enhanced Federal Medicaid Match

Position Title	Annual	Time	Months	Amt. Requested
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Existing Staff:

Exchange Director	\$110,558	100%	5 months	\$46,066
Chief Information Officer	\$110,558	100%	5 months	\$46,066
Operations Director	\$110,558	100%	5 months	\$46,066
Finance Director	\$110,279	100%	5 months	\$45,950
Senior Counsel	\$102,761	100%	5 months	\$42,817

Information Project Director	\$102,761	100%	5 months	\$42,817
Commercial Operations Director	\$95,960	100%	5 months	\$39,817
Public Program Operations Director	\$95,960	100%	5 months	\$39,817
Measurement & Reporting Director	\$102,761	100%	5 months	\$42,817
Communications & Marketing Director	\$95,960	100%	5 months	\$39,817
Project Manager	\$86,106	100%	5 months	\$35,878
Office Manager	\$52,413	100%	5 months	\$21,839

Proposed New Staff:

Finance Business Analyst	\$71,562	100%	14 months	\$83,450
Measurement & Reporting Business Analyst	\$73,784	100%	16 months	\$92,537
Senior Data Analyst	\$79,990	100%	13 months	\$86,722
Database Administrator	\$98,042	100%	12 months	\$97,880
Individual Elig & Assistance Business Analyst	\$74,029	100%	12 months	\$74,152
Sm. Employer Ops & Assistance Bus. Analyst	\$74,029	100%	12 months	\$74,152
Consumer Assistance Coordinator	\$79,990	100%	12 months	\$79,858
Administrative Assistant	\$49,408	100%	9 months	\$37,220

Justification

Due to delays in hiring staff, salary savings from the grant 1-HBEIE1100068-01-00 are being used to extend salary to December 31, 2012 for all staff included in that grant as part of a no cost grant extension. Spending for existing staff will be for the first 5 months of calendar year 2013. Salary for new staff will be spread across the 4 quarters of the grant and into May of 2013.

Revised budget reflects a reduction of \$2,755 for salaries due delays in hiring new staff. Amounts include 2% increase effective January 1, 2013. See summary table at the end of this narrative for a description of the changes between Exchange Establishment Grant and Medicaid.

Below are brief position descriptions for each of the proposed existing and new Exchange staff. Funding is for the last quarter and an extension period of the grant for existing Exchange staff and 12 months plus an extension period for new staff which will be split evenly over the four quarters plus extension period of the grant. Staff will work to build on the efforts undertaken as part of Planning Grant and previous Level-One activities.

Job Descriptions

Existing Staff:

- Exchange Director: The Exchange Director is the Chief Executive Officer of the Exchange and is responsible for the entirety of Exchange activities, working closely with Exchange staff, Commissioners of State agencies, and the Advisory Task Force to define and execute its mission and responsibilities.
- Chief Information Officer: The Chief Information Officer is responsible for leading the successful implementation of all information technology functions of the Exchange, including working with contractors on the design and development of an IT integration architecture and requirements that facilitate interaction with partnered systems.
- Operations Director: The Operations Director is responsible for establishing operational priorities and managing the operational aspects of an Exchange including commercial and public program operations, measurement and reporting, and communications and marketing. This position is responsible for ensuring collaboration and program integration between the Exchange and various State agencies including the Departments of Commerce, Human Services, and Health. This position is specifically responsible for work plan development and execution for HHS milestones related to the areas of program integration, assistance, appeals, complaints, and notifications, health benefit plan certification, call center services, quality rating systems, risk adjustment, Navigator program provisions, partnerships with counties, outreach and education, and small employer functions.
- Finance Director: The Finance Director is responsible for providing strategic direction for the financial operation of the Exchange. The Finance Director will also ensure compliance with HHS financial monitoring and reporting activities. This work will include ongoing development of detailed work plans and budget estimates through 2014 to ensure that Minnesota meets HHS milestones for financial management, program integrity activities including the prevention of fraud, waste, and abuse. The Finance Director will also have lead responsibility for creating and overseeing Exchange financing mechanisms, including collaboration with the Department of Human Services on cost allocation between Medicaid and Exchange funding streams.
- Senior Counsel: The Senior Counsel is responsible for providing legal counsel and providing legal services on a variety of matters pertaining to the Exchange and its programs and operations, including compliance with State and Federal laws and review and negotiation of all contracts.
- Information Project Director: The Information Project Director is responsible for working with contractors to develop work plans and budget estimates to implement the design and development of IT integration architecture and associated requirements. The IT Project Director is specifically responsible for managing IT implementation timelines and compliance with HHS SDLC stage gate reviews including: Project Start-Up Review, Architecture Review, Project Baseline Review, Preliminary Design Review, Detailed Design Review, Final Detailed Design Review, Pre-Operational Readiness Review, and Operational Readiness Review. This position will also be responsible for coordinating the Exchange's gate review activity with the Department of Human Services' APD activity.

- Commercial Operations Director: The Commercial Operations Director is responsible for coordinating, developing, and implementing strategy for commercial operations related to the Exchange and managing Exchange and commercial integration issues. The Commercial Operations Director serves as the liaison between the Exchange and the Minnesota Departments of Commerce and Health for the individual and small group markets. This position is specifically responsible for work plan development and execution for HHS milestones related to the commercial areas of program integration, individual and employer assistance, appeals, complaints, and notifications, health benefit plan certification, call center services, Navigator program provisions, and small employer functions.
- Public Programs Operations Director: The Public Programs Operations Director is responsible for coordinating, developing, and implementing strategy for public program operations related to the Exchange and managing Exchange and public program integration issues. The Public Programs Operations Director serves as the liaison between the Exchange and the Minnesota Department of Human Services in its role as Minnesota's Medicaid Agency. This position is specifically responsible for work plan development and execution for HHS milestones related to the public program areas of program integration including eligibility and enrollment for public health care programs and social service programs to the extent feasible and practical, assistance, appeals, and complaints, call center services, partnerships with counties, and Navigator program provisions.
- Measurement and Reporting Director: The Measurement and Reporting Director is responsible for the design, development, and reporting of quality rating systems for the Exchange including cost, quality, and customer satisfaction. This position is also responsible for issues pertaining to data sources, methods, and operational functions for conducting risk adjustment. This position is specifically responsible for ensuring coordination in these areas between the Minnesota Departments of Commerce, Human Services, and Health.
- Communications and Marketing Director: The Communications and Marketing Director is responsible for developing and implementing strategies and work plans for communications, marketing, and stakeholder outreach and engagement efforts to market the Exchange and educate Minnesotans about the benefits of the Exchange. This position is also responsible for coordinating communications and outreach activities with the Minnesota Departments of Commerce, Human Services, and Health.
- Project Manager: The Project Manager is responsible for coordinating all work plans and timelines associated with the Exchange and ensuring that all grant reporting responsibilities are met. The Project Manager is also responsible for tracking all relevant Federal and State legislation, guidance, and proposed rules, and coordinating appropriate responses with Exchange staff and the Minnesota Departments of Commerce, Human Services, and Health.
- Office Manager: The Office Manager is responsible for providing administrative support to the Exchange Director, all Exchange staff, and the Advisory Task Force.

Proposed New Staff:

- Finance Business Analyst: The Finance Business Analyst is responsible for analyses of the financial management functions required for the Exchange. This includes funding flows and business

processes design and development for advance premium tax credits, cost sharing reductions, fund aggregation, premium collection and payments processing, risk sharing, payment transfers, and reconciliation between the Exchange, insurers, employers, and federal agencies . This position is also responsible for assisting the Exchange Finance Director in the creation of an operating accounting structure as well as required state and federal financial reports for the Exchange.

- Measurement and Reporting Business Analyst: The Measurement and Reporting Business Analyst provides technical expertise and coordination of activities related to reporting and comparison of health care provider and insurer information. This position is responsible for analyzing complex federal requirements related to Exchange functions and ensure Minnesota's model for reporting and comparison aligns with these requirements and is interoperable with other essential Exchange functions. This position is responsible for working closely with external contractors, Exchange staff, and other state agencies to develop and implement models for effectively reporting, comparing, and updating cost, quality, and customer satisfaction information related to health care providers and insurers.
- Senior Data Analyst: The Senior Data Analyst provides technical expertise and coordination of highly technical and advanced health services research activities related to design and development of a risk adjustment methodology and development of alternative methods for health insurer ratings. This position will serve as the Exchange's subject matter expert on the aggregation, content, and use of claims data and will provide technical oversight of contractor activities related to use claims data for authorized Exchange purposes. This position will work closely with staff at the Departments of Human Services and Health with claims data expertise.
- Data Base Administrator: This position is responsible for providing database administration and data resource leadership and expertise so that data resources that support Exchange related business activities are secure, usable, and managed as strategic resources. This position is responsible for configuration and interaction with data storage systems as well as the transfer of electronic data in secure methods. This position is also responsible for the analysis, design, development, and maintenance of secure Exchange related information systems that promote and enhance utilization by consumers.
- Individual Eligibility and Assistance Business Analyst: The Individual Eligibility and Assistance Business Analyst provides technical and subject matter expertise on public programs business design. This position coordinates activities related to designing, developing, and maintaining business design requirements and functionality priorities of the Exchange. This position is responsible for analyzing complex state and federal policy and leading activities to document business design requirements for the functional components of the Exchange with a focus on eligibility requirements, plan enrollment, and business processes and work flows. This position is responsible for ensuring initial system design meets business requirements and establishes the capacity to expand and support future program changes. This position will work closely with the Department of Human Services staff in integrating MAGI determinations across Medicaid and the premium tax credits.
- Small Employer Operations and Assistance Business Analyst: The Commercial Operations Business Analyst provides technical and subject matter expertise on the commercial business design of the Exchange. The Business Analyst coordinates activities related to designing, developing, and maintaining business design requirements and functionality priorities of the Exchange. This position

is responsible for analyzing complex state and federal policy and leading activities to document business design requirements for the functional components of the Exchange with a focus on individual and small employer eligibility requirements, individual and small employer enrollment, health benefit plan certification, and business processes and work flows. This position is responsible for ensuring initial system design meets business requirements and establishes the capacity to expand and support future program changes.

- **Consumer Assistance Coordinator:** The Consumer Assistance Coordinator provides technical assistance and subject matter expertise related to the establishment of Exchange call center services. This position is responsible for assessing existing services provided through call centers at multiple State agencies and establishing work plans for Exchange call center services that coordinate with existing call center services as appropriate. This position is also responsible for overseeing the work of contractors to develop process flows and prepare for call center operations. This position will collaborate with the Department of Human Services to assess integration between the Exchange call center and existing Medicaid and social service call centers.
- **Administrative Assistant:** The Administrative Assistant will be responsible for providing administrative support to the Operations Director and operational staff, including supporting the Exchange Technical Assistance Work Groups.

B. Fringe Benefits

Total	\$354,856
Exchange Establishment Grant	\$329,829
Medicaid Cost Allocation	\$25,027
Sources of Funding	Exchange Level-One Establishment Grant and Enhanced Federal Medicaid Match

31.8% of total salaries = fringe benefits

Revised budget reflects a reduction of \$876 from the original budget for this grant. Reductions are based on salary changes noted above. See summary table at the end of this narrative for a description of the changes between Exchange Establishment Grant and Medicaid.

C. Consultant Costs

See Contracts

D. Equipment

Total	\$4,159,600
Exchange Establishment Grant	\$2,419,134
Medicaid Cost Allocation	\$1,740,466
Sources of Funding	Exchange Level-One Establishment Grant and Enhanced Federal Medicaid Match

Item Requested	How Many	Unit Cost	Total Amount
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Development and testing environment	1		\$4,000,000
Equipment for new staff:			
• Computer workstation	8	\$1,300	\$10,400
• Phone	8	\$200	\$1,600
• Blackberry	8	\$200	\$1,600
• Office furniture	8	\$2,500	\$20,000
Equipment for on-site contract staff:			
• Computer workstation	65	\$1,300	\$84,500
• Phone	45	\$200	\$9,000
• Office furniture	65	\$500	\$32,500

Justification

Revised budget proposal represents an increase of \$98,000. The increase is based on estimate 65 IT vendor staff that will be working on site. See summary table at the end of this narrative for a description of the changes between Exchange Establishment Grant and Medicaid.

Computer, phone, Blackberry, and office furniture to be purchased for eight new Exchange staff and 65 on-site IT contract staff including ASAP staff. Funding is requested for development and testing environments to create integration and interaction components to test with vendor modular solutions. These environments will mirror a future production environment and could also be used as a backup if a production environment in the future goes down. Funding for all equipment will be spent in the first quarter of the grant period.

E. Supplies

Total	\$187,400
Exchange Establishment Grant	\$133,672
Medicaid Cost Allocation	\$53,729
Sources of Funding	Exchange Level-One Establishment Grant and Enhanced Federal Medicaid Match

Description	Total Amount
General office supplies – current staff (\$250 x12 months x 12 staff)	\$36,000
General office supplies – new staff (\$250 x 12 months x 8 new staff)	\$24,000
General office supplies – on-site contract staff (\$500 x 65 consultants)	\$32,500
Enterprise Licensing Agreement – current staff (\$100 x 12)	\$1,200
Enterprise Licensing Agreement – new staff (\$100 x 8)	\$800
Enterprise Licensing Agreement – on-site contract staff (\$100 x 65)	\$6,500
Microsoft Windows – new staff	

($\$100 \times 8$ staff)	\$800
Microsoft Windows – on-site contract staff	
($\$100 \times 65$)	\$6,500
Microsoft Office – new staff	
($\$500 \times 8$)	\$4,000
Microsoft Office – on-site contract staff	
($\$500 \times 65$)	\$32,500
Microsoft Project – new staff	
($\$300 \times 8$)	\$2,400
Microsoft Project – on-site contract staff	
($\$300 \times 65$)	\$19,500
Microsoft Visio – new staff	
($\$300 \times 4$)	\$1,200
Microsoft Visio – on-site contract staff	
($\$300 \times 65$)	\$19,500

Justification

Revised budget proposal represents an increase of \$107,400. The increase is based on estimate 65 IT vendor staff that will be working on site. See summary table at the end of this narrative for a description of the changes between Exchange Establishment Grant and Medicaid.

General office supplies will be used by Exchange staff and on-site contracted staff to carry out daily activities including pens, paper, copy costs, etc. Microsoft Office will be used to document activities, process reports, etc. Annual maintenance costs cover required State maintenance for all State software. Microsoft Project will be used to coordinate and manage grant activities. Supply costs will be equally split between all four quarters of the grant period, with the exception of software costs which will be spent in the first quarter.

F. Travel

Total	\$29,159
Exchange Establishment Grant	\$29,159
Medicaid Cost Allocation	\$0
Sources of Funding	Exchange Level-One Establishment Grant

<u>Description</u>	<u>Cost</u>
In-State Travel	\$3,119
Out-of-State Travel	<u>\$26,040</u>
Total	\$29,159

Revised budget proposal represents an increase of \$9,445. The increase is based including travel to date and projected travel through February 2013. See summary table at the end of this narrative for a description of the changes between Exchange Establishment Grant and Medicaid.

<u>In-State Travel</u>	<u>Cost</u>
3 trips of 1 day per diem x \$35/day x3 people	\$315
3 trips of 2 days per diem x \$35/day x3 people	\$630

3 nights lodging x \$150 x 3 people	\$1,350
Mileage: 6 trips at a total of 1616 miles round trip x \$0.51	<u>\$824</u>
In-State Total	\$3,119

Justification

Exchange staff will hold stakeholder meetings throughout the State. The Communications and Marketing Director and one additional staff member will hold one meeting a month in various locations around the State, half of which will be in Greater Minnesota. In-State travel funds will be equally split between the last two quarters of the grant period.

<u>Out-of-State Travel</u>	<u>Cost</u>
\$500 airfare x 6 trips x 4 people	\$12,000
3 days per diem x \$35/day x 6 trips x 4 people	\$2,520
2 night's lodging x \$200 per night x 6 trips x 4 people	\$9,600
\$80 Ground transportation x 6 trips x 4 people	<u>\$1,920</u>
Out of State Total	\$26,040

Justification

Four Exchange staff will travel for HHS quarterly grantee meetings. Four Exchange staff will also travel to two Exchange related meetings. Out-of-State travel funds will be equally split between the last two quarters of the grant period.

G. Other

Total	\$226,765
Exchange Establishment Grant	\$168,780
Medicaid Cost Allocation	\$57,985
Sources of Funding	Exchange Level-One Establishment Grant and Enhanced Federal Medicaid Match

<u>Description</u>	<u>Cost</u>
Rent for office space	
\$72,000 annual rental cost for 12 months	\$72,000
Expanded office space	
\$48000, for expanded rental space for 12 months	\$48,000
Preparation work for expansion space (wiring, carpet, etc)	\$35,000
Communications services – current staff	
\$100 x 12 months x 12 staff	\$14,400
Communications services – new staff	
\$100 x 12 months x 8 staff	\$9,600
Communications services – on-site contracted staff	
\$50 x 12 months x 65 staff	\$39,000
Meeting room rental – Advisory Task Force meetings	
\$100 per meeting x 12 Advisory Task Force meetings	\$1,200
Meeting room rental – Stakeholder meetings	
\$100 per meeting x 12 Stakeholder meetings	\$1,200
Reimbursements for 4 Advisory Task Force members to travel to meetings	\$6,365

Justification

Revised budget proposal represents an increase of \$113,000. The increase is based on a full year of rent for current space and expanded space plus cost to prepare the expansion space for use including wiring and costs for on-site contract staff communication needs. See summary table at the end of this narrative for a description of the changes between Exchange Establishment Grant and Medicaid.

Rent for office space is to house existing and new Exchange staff and on-site contracted staff. Meeting room rental fee is to rent meeting room to hold 6 Advisory Task Force meetings and monthly Stakeholder meetings. Advisory Task Force reimbursement for hotel and/or mileage and per diem for eligible Task Force members to attend Task Force meetings per Minnesota Statutes §15.014. Communication services costs cover monthly phone and Blackberry service plan charges. The above mentioned costs will be equally split between all four quarters of the grant period for new and contracted staff and the last two quarters for all other.

H. Contractual Costs

Total	\$40,283,894
Exchange Establishment Grant	\$18,857,437
Medicaid Cost Allocation	\$21,426,457
Sources of Funding	Exchange Level-One Establishment Grant and Enhanced Federal Medicaid Match

<u>Description</u>	<u>Cost</u>
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Business Operations

Ongoing market actuarial analysis and economic forecasting	\$180,000
Health Plan Cost, Quality and Satisfaction Rating	\$300,000
Marketing campaign development, branding	
Consumer assistance/call center preparation	
Business Operations Consultants	\$400,000

Information Technology

Exchange module development (RFP)	
• Module 1: Individual eligibility and exemption	\$14,507,083
• Module 2: Individual enrollment	\$1,804,577
• Module 3: Small employer eligibility and enrollment	\$2,206,569
• Module 4: Plan and navigator/broker certification and display	\$2,530,610
• Module 6: Fund aggregation and payment	\$1,895,000
• Module 7: Account administration (in addition to August Level 1 grants)	\$12,514,560
• Non Magi Health Care Eligibility	\$1,307,500

Independent Verification and Validation	
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Risk Assessment	\$15,500
IT Contracted Staff	\$1,600,000

Contract Details:

Ongoing Actuarial Analysis and Economic Forecasting

- Name of contractor: Dr. Jon Gruber of MIT and Bela Gorman of Gorman Actuarial
- Method of selection: Contract extension
- Period of performance: All four quarters of the grant period
- Scope of work: Retainer for ongoing actuarial and economic modeling services and forecasting
- Method of accountability: Meetings as needed between Exchange staff and contractors and weekly progress reports from contractors as described in part D of the Proposal to Meet Program Requirements section of this grant application.
- Budget request: \$180,000

Justification

Minnesota requests \$180,000 to retain the services of Dr. Jon Gruber at MIT and Bela Gorman of Gorman Actuarial as needed for ongoing actuarial analysis and economic forecasting of risk mix and volume of individual, Medicaid, and small group enrollment for use in estimating Exchange service and financing needs. The Minnesota Department of Health will continue to work with contractors.

Health Plan Cost, Quality, and Satisfaction Rating

- Name of contractor: RFP
- Method of selection: RFP
- Period of performance: All four quarters of the grant period
- Scope of work: Develop methodologies for an insurer and health benefit plan rating system
- Method of accountability: Weekly meetings between Exchange staff and contractors and weekly progress reports from contractors as described in part D of the Proposal to Meet Program Requirements section of this grant application
- Budget request: \$300,000

Justification

Minnesota requests Level-One funding for a contractor to develop methodologies for an insurer and health benefit plan rating system. This contractor will identify potential measures for use in a rating system and propose, test, and refine models for a rating system using composite measures.

Marketing Campaign Development and Branding

- Name of contractor: RFP
- Method of selection: RFP
- Period of performance: All four quarters of the grant period
- Scope of work: Contract for branding and initial marketing of Minnesota Exchange
- Method of accountability: Weekly meetings between Exchange staff and contractors and weekly progress reports from contractors as described in part D of the Proposal to Meet Program Requirements section of this grant application.
- Budget request: \$300,000

Justification

Funds are requested to contract with a marketing/branding firm for marketing strategies that will be the platform to launch the subsequent statewide public awareness campaign. The areas of concentration include: branding, public relations/internal communications, and an introductory marketing campaign.

Call Center Preparation

- Name of contractor: RFP
- Method of selection: RFP
- Period of performance: All four quarters of the grant period
- Scope of work: Assess call center needs and establish business and process flows to prepare for the establishment of call center services
- Method of accountability: Weekly meetings between Exchange staff and contractors and weekly progress reports from contractors as described in part D of the Proposal to Meet Program Requirements section of this grant application.
- Budget request: \$500,000

Justification

Level-One grant funds are requested to contract for assistance in assessing call center needs and establishing business and process flows to prepare for the establishment of call center services. This contract will assist in the evaluation of existing call center services at State agencies, development of options for integrating and coordinating Exchange call center services with existing agency call center functions, identification of call center gaps and options for addressing those gaps, and development of work plans with business and process flows for Exchange call center structure and establishment. Funding will also support coordinated work with the Department of Human Services to assess the capacity for call centers to have the ability to seamlessly hand-off individuals needing assistance regarding public programs, particularly for individuals with an eligibility basis other than MAGI.

Business and Administrative Operations Development Consultation

- Name of contractor: Minnesota Management and Budget
- Method of selection: Interagency Agreement
- Period of performance: Quarters 2 and 3 of the grant period
- Scope of work: Consulting services for business and administrative operations development including customer service, financial management, and cost allocation.
- Method of accountability: Weekly meetings between Exchange staff and contractors and weekly progress reports from contractors as described in part D of the Proposal to Meet Program Requirements section of this grant application.
- Budget request: \$400,000

Justification

This is a new contract for the budget. Contract work for this activity will take place in the second and third quarters of this grant period. Minnesota Management and Budget, Management Analysis Division will assist the Exchange in developing business and administrative operations analysis and recommendations including RFP development.

Exchange IT Module Development

- Name of contractor: One to five vendors that were selected to participate in stage two of Minnesota’s Exchange IT RFP
- Method of selection: Previously released RFP
- Period of performance: All four quarters of the grant period
- Scope of work: Development of modules under Minnesota’s Exchange IT RFP
- Method of accountability: Weekly meetings between Exchange staff and contractors and weekly progress reports from contractors as described in part D of the Proposal to Meet Program Requirements section of this grant application.
- Budget request: \$36,765,894 (in addition to amounts in grant 1-HBEIE1100068-01-00)

Justification

Level-One funding was previously awarded for development of the Provider Display module in Minnesota’s Exchange IT RFP. Funding is requested under this grant application for the development of the remaining modules included in Minnesota’s Exchange IT RFP including:

- Individual eligibility and exemption
- Individual enrollment
- Small employer eligibility and enrollment
- Health benefit plan and Navigator/broker certification and display
- Fund aggregation and payment
- Account administration

Vendor responses to stage two of the Exchange IT RFP were submitted on December 5, 2011 and it is anticipated that vendors will be selected for Exchange development in June of 2012.

Risk Assessment

- Name of contractor: Aeritae Consulting
- Method of selection: State of Minnesota ASAP process
- Period of performance: April and May of 2012
- Scope of work: The scope of the work is to create a preliminary IT related risk assessment and mitigation plan for the MN Health Insurance Exchange that will supplement a future joint IV&V project with the MN Dept of Human Services (the MN Medicaid agency). The efforts will be done following these steps: 1. Understand the project intentions and project work plan, and the planned Minnesota Department of Human Services Independent Validation & Verification effort. 2. Conduct a half-day session with project personnel to identify and quantify information technology project risks by their potential impact and likelihood of occurrence. 3. Report on the findings of that meeting. 4. Develop a risk mitigation and management plan. 5. Finalize the risk mitigation and management plan. A risk assessment and mitigation management plan will be deliverable at the end of this engagement.
- Method of accountability: The Minnesota Health Insurance Exchange office will oversee the activities of this vendor. At the end of the contract, the vendor will be required to deliver the following artifacts: A preliminary risk assessment of the MN HIX related to the IT activities, along with a mitigation and management plan for those risks earlier identified.
- Budget request: \$15,500

Justification

The Contractor will be paid an hourly rate of \$155.00 up to a maximum of 100 hours, not to exceed \$15,500. Under Minnesota State Law, projects over \$10million are required to contract with an

outside entity to perform a risk assessment and mitigation plan. The MN HIX and Medicaid agency will be jointly engaging in a full IV&V project in the near future. The requested release of these funds will pay for the preliminary risk assessment and mitigation plan to satisfy MN statutes and allow for the engagement of the future IV&V. The deliverables from the risk assessment and mitigation plan will be incorporated into the IV&V so dual efforts can be avoided.

Independent Verification & Validation (IV&V)

- Name of contractor: RFP
- Method of selection: Joint RFP with the Minnesota Department of Human Services
- Period of performance: All four quarters of the grant period
- Scope of work: Independent IT system verification and validation
- Method of accountability: Weekly meetings between Exchange staff and contractors and weekly progress reports from contractors as described in part D of the Proposal to Meet Program Requirements section of this grant application.
- Budget request: \$200,000

Justification

Funding is requested for a contract for Independent Verification and Validation (IV&V). This contract will include a risk and security assessment as well as assessments of other vulnerabilities of the IT infrastructure of the Exchange. This contract will be conducted in collaboration with the Minnesota Department of Human Services efforts for Medicaid eligibility and enrollment.

Contracted IT Staff Resources

- Name of contractor: State of Minnesota ASAP
- Method of selection: State of Minnesota ASAP process
- Period of performance: All four quarters of the grant period for Systems Architect, IT Business Analysts, and IT Project Managers. Last three quarters of grant period for User Acceptance Testing Lead and Quality Assurance Lead
- Method of accountability: On-site contracted staff receive day to day work feedback and meet regularly with Exchange staff
- Budget request: \$1,600,000

Justification

Revised budget reflects an increase of \$300,000. Funding is requested for IT staff augmentation resources including Business Analyst, Project Managers, Systems Architects and other IT resource staffing needs identified for use during the design and development stage of the IT build.

I. Total Direct Costs

Total	\$46,357,572
Exchange Establishment Grant	\$22,975,206
Medicaid Cost Allocation	\$23,382,366

J. Indirect Costs

Total	\$370,814
Exchange Establishment Grant	\$356,293
Medicaid Cost Allocation	\$14,522

The rate is 14% and is computed on the following direct cost base:

Personnel	\$156,226 (14% x \$1,115,899)
Fringe	\$49,680 (14% x \$354,856)
Travel	\$4,082 (14% x \$29,159)
Supplies	\$26,236 (14% x \$187,400)
Other	\$30,347 (14% x \$216,765)
Equipment	\$23,344 (14% of \$159,600, assume for purchases less than \$5000)
Contracts	<u>\$80,500</u> (14% of the first \$25,000 of each contract x23 contracts)
Total	\$370,814

Indirect costs will be spent throughout all four quarters of the grant period based on spending pattern of all prior categories.

Total Costs

Total	\$46,728,387
Exchange Establishment Grant	\$23,331,499
Medicaid Cost Allocation	\$23,331,499

Cost Allocation Methodology

As required under section IV.5.B.vi of the Cooperative Agreements to Support Establishment of State Operated Health Insurance Exchanges, Minnesota is proposing to cost allocate the IT systems work and other applicable costs per OMB Circular A-87 between the Exchange and the Medicaid program for those activities that will benefit Medicaid. Components under Cost Allocation referenced in the IT Guidance 2.0 are included in this proposal.

For this grant application, Minnesota has proposed a budget of \$43,354,651 in the Core Area of Technical Infrastructure. This budget request for Technical Infrastructure can be broken into five parts:

1. Contract costs for the Individual Eligibility and Exemption Module
\$14,507,083
2. Contract costs for non-MAGI Medicaid eligibility
\$1,307,500
3. Contract costs for the Individual Enrollment, Health Benefit Plan and Navigator Certification and Display and Account Administration Modules
\$16,849,742
4. Contract costs IV&V, Risk Assessment, and contracted IT staff
\$1,815,500
5. Contracts costs for Small Employer Eligibility and Enrollment and Fund Aggregation and Payment

and indirect costs for non-personnel.
\$4,198,911

6. Salaries, fringe, and associated indirect costs for Technical Infrastructure staff
\$280,615

7. Equipment, supplies, and other costs for Technical Infrastructure staff
\$4,395,300

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|---|--------------------------|
| a) Total Projected Costs | \$43,354,651 |
| b) Costs charged to this CCIIO grant | \$19,957,763 |
| c) Costs charged to other sources: | \$23,396,888 |
| d) Please note where the cost is via the Core Area: | Technical Infrastructure |

Estimated participation in Minnesota Health Insurance Exchange (Results from Background Research Actuarial and Economic Modeling by Dr. Jon Gruber of MIT and Bela Gorman of Gorman Actuarial)

Tax Credit Recipients	280,000
Enrollees in Firms Receiving Tax Credit	70,000
Non-Tax Credit Recipients in Reformed Individual Market	60,000
Enrollees in Firms > 50 not receiving Tax Credit	90,000
Enrollees in Firms 50-99	30,000
Public Insurance Enrollees	700,000
 Total	 1,230,000

Cost Allocation for Exchange Module Development

Minnesota is proposing to cost allocate IT costs as follows:

- Module 1 using the ratio of public enrollees to total individual enrollees (700/1040 or 67.31%)
- Modules 2, 4, 5, and 7 using the ratio of public enrollees to total participants in the Exchange (700/1,230 or 56.91%)
- Other IT contracts for Integration of Modules, IV&V, Mobile Applications and other contracted staff use the average cost allocation ratio across the modules or 42.14% (see below)
- Other Exchange IT staff costs including salaries, rent, supplies, equipment, etc use the average cost allocation ratio across the modules or 42.14% (see below)

Module 1 – Individual Eligibility and Exemption	67.31%
Module 2 – Individual Enrollment	56.91%
Module 3 – Small Employer Eligibility and Enrollment	0%
Module 4 – Health Benefit Plan and Navigator Certification and Display	56.91%
Module 5 – Provider Display	56.91%
Module 6 – Fund Aggregation and Payment	0%
Module 7 – Account Administration	56.91%
 Average of Modules	 42.14%

1. Contract for Exchange Individual Eligibility and Exemption Module (Module 1)
\$14,507,083

This contract includes portions of the following components under Cost Allocation referenced in the IT Guidance 2.0: Health Care Coverage Portal, Business Rules Management and Operations Systems, Interfaces to Federal Data Services Hub, Interfaces to Other Verification Sources, and Notices.

- a) Total Projected Costs \$14,507,083
- b) Costs charged to this CCIIO grant \$4,742,365
- c) Costs charged to Medicaid \$9,764,718
- d) Please note where the cost is via the Core Area: Technical Infrastructure

As specified above, Minnesota has developed a preliminary estimate that 67.31% of individual users served by the Exchange will be Medicaid-eligible. The purpose of this contract is to develop the Individual Eligibility and Exemption Module to be used by individuals to determine eligibility to Medical Assistance and Tax Credits. As such, 67.31% of the contract costs will be allocated to Medicaid.

2. Contract for non-MAGI Medicaid eligibility

\$1,307,500

This contract includes portions of the following components under Cost Allocation referenced in the IT Guidance 2.0: Health Care Coverage Portal, Business Rules Management and Operations Systems, Interfaces to Federal Data Services Hub, Interfaces to Other Verification Sources, and Notices.

- a) Total Projected Costs \$1,307,500
- b) Costs charged to this CCIIO grant \$0
- c) Costs charged to Medicaid \$1,307,500
- d) Please note where the cost is via the Core Area: Technical Infrastructure

The purpose of this contract is to develop the non-MAGI Medicaid Eligibility to be used by individuals to determine eligibility to Medical Assistance. As such, 100% of the contract costs will be allocated to Medicaid.

3. Contract for the Individual Enrollment, Health Benefit Plan and Navigator Certification and Display and Account Administration (Modules 2, 4 and 7)

\$16,849,742

This contract includes the following component under Cost Allocation referenced in the IT Guidance 2.0: Member Education, Selection, and Enrollment into Plans, and Account Creation and Case Notes.

- Total Projected Costs \$16,849,742
- a) Costs charged to this CCIIO grant \$7,260,554
- b) Costs charged to Medicaid \$9,589,188
- c) Please note where the cost is via the Core Area: Technical Infrastructure

As specified above Minnesota has developed a preliminary estimate that 56.91% of users served by the Exchange will be Medicaid-eligible. The purpose of these contracts is to develop the Individual Enrollment, Health Benefit Plan and Navigator Certification and Display and Account Administration modules of the Exchange IT RFP to assist Medicaid and non-Medicaid Exchange participants in selecting and enrolling into health benefit plans that best suit their needs. Module 5 – Provider Display was

included in the prior Level 1 grant application and cost allocated similarly. As such, 56.91% of these contracted costs will be allocated to Medicaid.

4. Contract for IV&V, Risk Assessment and contracted IT staff (Systems Architect, Business Analysts, Project Management, Quality Assurance and User Acceptance Testing)
\$1,815,500

These contracts include the following components under Cost Allocation referenced in the IT Guidance 2.0: Health Care Coverage Portal, Business Rules Management and Operations Systems, Interfaces to Federal Data Services Hub, Interfaces to Other Verification Sources, Account Creation and Case Notes, Notices, Interfaces to Community Assistors or Other Outreach Organizations, Customer Service Technology Support, Communication with Plans and Member Education, Selection, and Enrollment into Plans.

a) Total Projected Costs	\$1,815,500
b) Costs charged to this CCIIO grant	\$1,050,448
c) Costs charged to Medicaid	\$765,052
d) Please note where the cost is via the Core Area	Technical Infrastructure

As specified above Minnesota has developed a preliminary average estimate that Medicaid enrollees will comprise 67.31% of individuals that benefit from Module 56.91% of users that benefit from Modules 2, 4, 5 and 7, and 0% of users that benefit from Modules 3 and 6. The average across all Modules is 42.12%. Prior cost allocation plan, approved in a IAPD was 32,3% effective May 1, 2012. As such, 32.3% of costs will be allocated to Medicaid for activities May through June of 2012 (or until approval, whichever is later) and 42.14% of costs beginning in July of 2012 (or upon approval, whichever is later) will be allocated to Medicaid.

5. Contracts costs for Small Employer Eligibility and Enrollment and Fund Aggregation and Payment (Modules 3 and 6) and non-salary indirect costs
\$4,198,911

Total Projected Costs	\$4,198,911
Costs charged to this CCIIO grant	\$4,198,911
a) Costs charged to Medicaid	\$0
b) Please note where the cost is via the Core Area	Technical Infrastructure

Cost of these contracts and non-salary indirect will not be allocated to Medicaid since the Medicaid participant will not be provided any benefit to these activities

6. Salaries, fringe, , and associated indirect costs for salary for Technical Infrastructure staff
\$280,615

These costs for Exchange Technical Infrastructure staff include portions of the following components under Cost Allocation referenced in the IT Guidance 2.0: Health Care Coverage Portal, Business Rules Management and Operations Systems, Interfaces to Federal Data Services Hub, Interfaces to Other Verification Sources, Account Creation and Case Notes, Notices, Interfaces to Community Assistors or Other Outreach Organizations, Customer Service Technology Support, Communication with Plans and Member Education, Selection, and Enrollment into Plans.

Total Projected Costs	\$280,615
a) Costs charged to this CCIIO grant	\$162,364
b) Costs charged to Medicaid	\$118,251
c) Please note where the cost is via the Core Area	Technical Infrastructure

As specified above, Minnesota has developed a preliminary average estimate that Medicaid enrollees will comprise of 67.31% of individuals that benefit from Module 1, 56.91% of users that benefit from Modules 2, 4, 5 and 7, and 0% of users that benefit from Modules 3 and 6. The average across all Modules is 42.14%. This percentage has been applied to 100% of the cost of these contracts. These activities include development and testing environments, supplies, rental space and other staff costs associated with internal IT staff. Prior cost allocation plan, approved in a IAPD was 32,3% effective May 1, 2012. As such, 32.3% of costs will be allocated to Medicaid for activities May through June of 2012 (or until approval, whichever is later) and 42.14% of costs beginning in July of 2012 (or upon approval, whichever is later) will be allocated to Medicaid.

7. Equipment, supplies, and other associated costs for Technical Infrastructure staff
\$4,395,300

These costs for Exchange Technical Infrastructure staff include portions of the following components under Cost Allocation referenced in the IT Guidance 2.0: Health Care Coverage Portal, Business Rules Management and Operations Systems, Interfaces to Federal Data Services Hub, Interfaces to Other Verification Sources, Account Creation and Case Notes, Notices, Interfaces to Community Assisters or Other Outreach Organizations, Customer Service Technology Support, Communication with Plans and Member Education, Selection, and Enrollment into Plans.

d) Total Projected Costs	\$4,395,300
e) Costs charged to this CCIIO grant	\$2,543,121
f) Costs charged to Medicaid	\$1,852,179
g) Please note where the cost is via the Core Area	Technical Infrastructure

As specified above, Minnesota has developed a preliminary average estimate that Medicaid enrollees will comprise of 67.31% of individuals that benefit from Module 1, 56.91% of users that benefit from Modules 2, 4, 5 and 7, and 0% of users that benefit from Modules 3 and 6. The average across all Modules is 42.14%. This percentage has been applied to 100% of the cost of these contracts. These activities include development and testing environments, supplies, rental space and other staff costs associated with internal IT staff. As such, 32.3% of costs will be allocated to Medicaid for activities May through June of 2012 (or until approval, whichever is later) and 42.14% of costs beginning in July of 2012 (or upon approval, whichever is later) will be allocated to Medicaid.

Budget Request by Core Area

Core Area: Governance

- Total cost \$305,546
- Percent of cost that is fixed and/or variable
 - Fixed: \$0 = 0%

- Variable: \$305,546 = 100%
- Amount of cost by object class code
 - Salaries and wages \$146,599
 - Fringe benefits \$46,619
 - Equipment \$0
 - Supplies \$12,400
 - Travel \$26,040
 - Other \$36,365
 - Contractual costs \$0
 - Indirect \$37,523
- Amount of costs being requested by Exchange Establishment Grant \$305,546
- Amount of cost being requested by other source (Medicaid) \$0
- Assumptions or other narrative
 - Personnel costs include salaries Exchange Director, Senior Counsel, Project Manager and Executive Assistant for 5 months
 - Fringe benefits include costs for above positions for 5 months
 - Supplies include general office supply and annual software licensing costs for above staff
 - Travel costs include out-of-State travel for required HHS meetings and other Exchange related meetings.
 - Other costs include communication services and monthly rent for office space for above staff and meeting room rental and applicable reimbursement for Advisory Task Force meetings for 12 months.
 - Indirect costs include 14% of salaries, fringe, supplies, travel and other costs.

Core Area: Stakeholder Consultation

- Total cost \$4,924
- Percent of cost that is fixed and/or variable
 - Fixed: \$0 = 0%
 - Variable: \$4,924 = 100%
- Amount of cost by object class code
 - Salaries and wages \$0
 - Fringe benefits \$0
 - Equipment \$0
 - Supplies \$0
 - Travel \$3,199
 - Other \$1200
 - Contractual costs \$0
 - Indirect \$605
- Amount of costs being requested by Exchange Establishment Grant \$4,924
- Amount of cost being requested by other source (Medicaid) \$0
- Assumptions or other narrative
 - Travel costs include in-State travel expenses (per diem, lodging and mileage) and room rental for Communications and Marketing Director and two other staff member to travel to six Stakeholder meetings in various parts of the State.
 - Other costs include meeting room rental for stakeholder meetings.
 - Indirect costs include 14% of costs.

Core Area: Program Integration

- Total cost \$143,298
- Percent of cost that is fixed and/or variable
 - Fixed: \$0 = 0%
 - Variable: \$143,298 = 100%
- Amount of cost by object class code
 - Salaries and wages \$79,742
 - Fringe benefits \$25,358
 - Equipment \$0
 - Supplies \$6,200
 - Travel \$0
 - Other \$14,400
 - Contractual costs \$0
 - Indirect \$17,598
- Amount of costs being requested by Exchange Establishment Grant \$143,298
- Amount of cost being requested by other source (Medicaid) \$0
- Assumptions or other narrative
 - Personnel costs include salaries for Public Program Operations Director and Commercial Operations Director for 5 months.
 - Fringe benefits include costs for Public Program Operations Director and Commercial Operations Director for 5 months.
 - Supplies include general office supply and annual software licensing costs for Public Program Operations Director and Commercial Operations Director.
 - Other costs include communication services and monthly rent for office space for Public Program Operations Director and Commercial Operations Director.
 - Indirect costs include 14% of salaries, fringe, supplies and other costs.

Core Area: Business Operations

- Total cost \$2,702,743
- Percent of cost that is fixed and/or variable
 - Fixed: \$ 25,200= 1%
 - Variable: \$2,677,543= 99%
- Amount of cost by object class code
 - Salaries and wages \$573,395
 - Fringe benefits \$182,340
 - Equipment \$25,200
 - Supplies \$33,900
 - Travel \$0
 - Other \$28,800
 - Contractual costs \$1,702,500
 - Indirect \$156,609
- Amount of costs being requested by Exchange Establishment Grant \$2,702,743
- Amount of cost being requested by other source (Medicaid) \$0
- Assumptions or other narrative
 - Personnel costs include salaries for Operations Director, Measurement and Reporting Director, and Communications and Marketing Director for 5 months and prorated annual salaries for Measurement and Reporting Business Analyst, Senior Data Analyst, Individual

Eligibility and Assistance Business Analyst, Small Employer Operations and Assistance Business Analyst, Consumer Assistance Coordinator, and an Administrative Assistant based on estimated hire dates.

- Fringe benefits include costs for above staff
- Equipment costs include computers, phones, Blackberries, and office furniture for Measurement and Reporting Business Analyst, Senior Data Analyst, Individual Eligibility and Assistance Business Analyst, Small Employer Operations and Assistance Business Analyst, Consumer Assistance Coordinator, and an Administrative Assistant.
- Supplies include general office supply and annual software costs for above staff
- Other costs include communication services and monthly rent for office space for above staff
- Contractual costs include health plan cost, quality and satisfaction rating, risk adjustment methodology, IT infrastructure environment/connection for risk adjustment, ongoing actuarial analysis and economic forecasting, consumer assistance/call center preparation, and marketing campaign development and branding.
- Indirect costs include 14% of salaries, fringe, supplies and other, a flat rate of \$3,500 per contract (11 contracts.)

Core Area: Technical Infrastructure

- Total cost \$43,347,651
- Percent of cost that is fixed and/or variable
 - Fixed: \$39,588,594 = 91%
 - Variable: 3,759,057 = 9%
- Amount of cost by object class code
 - Salaries and wages \$186,763
 - Fringe benefits \$59,391
 - Equipment \$4,130,200
 - Supplies \$127,500
 - Travel \$0
 - Other \$137,600
 - Contractual costs \$38,581,394
 - Indirect \$124,803
- Amount of costs being requested by Exchange Establishment Grant \$19,950,763
- Amount of cost being requested by other source (Medicaid) \$23,396,888
- Assumptions or other narrative
 - Personnel costs include salaries for Information Project Director for 5 months and annual salary for a Database Administrator.
 - Fringe benefits include costs for Information Project Director for 5 months and annual salary for a Database Administrator
 - Equipment costs include computers, phones, Blackberries, and office furniture for a contracted IT staff and costs for a development and testing environment.
 - Supplies include general office supply and software costs for Information Project Director, Database Administrator and on-site contract staff.
 - Other costs include communication services and monthly rent for office space for Information Project Director, Database Administrator and the on-site contract staff.
 - Contractual costs include on-site contract staff, risk assessment, Independent Verification and Validation, and Exchange Modules.

- Indirect costs include 14% of salaries, fringe, supplies, other, a flat rate of \$3,500 per contract (12 contracts plus development and testing environment)

Core Area: Financial Management

- Total cost \$217,226
- Percent of cost that is fixed and/or variable
 - Fixed: \$4,200 = 7%
 - Variable: \$213,026 = 93%
- Amount of cost by object class code
 - Salaries and wages \$129,400
 - Fringe benefits \$41,149
 - Equipment \$4,200
 - Supplies \$7,400
 - Travel \$0
 - Other \$8,400
 - Indirect \$26,677
- Amount of costs being requested by Exchange Establishment Grant \$217,226
- Amount of cost being requested by other source (Medicaid) \$0
- Assumptions or other narrative
 - Personnel costs include salaries for Finance Director for 5 months and annual salary costs for a Finance Business Analyst.
 - Fringe benefits include costs for Finance Director for 5 months and costs for a Finance Business Analyst.
 - Equipment costs include computers, phones, Blackberry, and office furniture for a Finance Business Analyst.
 - Supplies include general office supply and software costs for the Finance Director and the Finance Business Analyst.
 - Other costs include communication services and monthly rent for office space for the Finance Director and Finance Business Analyst.
 - Indirect costs include 14% of salaries, fringe, supplies and other.

**Minnesota Health Insurance Exchange
Revised Budget and Cost Allocation Proposal for HBEIE120107-01-00**

	Original			Revised			Difference		
	Total	Exchange	MA	Total	Exchange	MA	Total	Exchange	MA
Salaries and Wages	\$1,118,653	\$1,071,029	\$47,624	\$1,115,899	\$1,037,197	\$78,702	(\$2,755)	(\$33,832)	\$31,077
Fringe Benefits	\$355,732	\$340,587	\$15,145	\$354,856	\$329,829	\$25,027	(\$876)	(\$10,759)	\$9,883
Total Personnel Costs	\$1,474,385	\$1,411,616	\$62,769	\$1,470,754	\$1,367,025	\$103,729	(\$3,631)	(\$44,591)	\$40,960
Equipment	\$4,061,600	\$2,759,199	\$1,302,401	\$4,159,600	\$2,419,134	\$1,740,466	\$98,000	(\$340,066)	\$438,066
Supplies	\$80,000	\$68,663	\$11,337	\$187,400	\$133,672	\$53,729	\$107,400	\$65,009	\$42,391
Travel	\$19,714	\$19,714	\$0	\$29,159	\$29,159	\$0	\$9,445	\$9,445	\$0
Other	\$113,165	\$101,061	\$12,104	\$226,765	\$168,780	\$57,985	\$113,600	\$67,719	\$45,881
Contract	\$28,451,500	\$18,677,316	\$9,774,185	\$40,283,894	\$18,857,437	\$21,426,457	\$11,832,394	\$180,121	\$11,652,273
Indirect	\$302,717	\$293,929	\$8,788	\$370,815	\$356,293	\$14,522	\$68,098	\$62,364	\$5,734
Total Exchange	\$34,503,081	\$23,331,499	\$11,171,583	\$46,728,387	\$23,331,499	\$23,396,888	\$12,225,305	\$0	\$12,225,305