

## Minnesota Cover Sheet

### IDENTIFYING INFORMATION

Grant Opportunity: **State Planning and Establishment Grants for the Affordable Care Act's Exchanges**

DUNS #: 8048859290000 Grant Award: \$1,000,000

Applicant: Minnesota Department of Commerce

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## **State Planning and Establishment Grants for the Affordable Care Act's Exchanges: Minnesota Project Abstract**

Minnesota requests a total of \$1,000,000 to conduct activities to plan for the establishment of an Exchange. The goals of the project are to analyze the requirements, options, and impact of an Exchange, engage stakeholders, analyze program integration, and estimate the upfront and ongoing costs of an Exchange. The following project activities are proposed:

- **Background Research:** Grant funding will be used to contract for actuarial and economic modeling services to determine the local market impact of the Affordable Care Act (ACA) and assess the impact of options such as the definition of the small group market, merging of the small group and individual markets, allowing wellness and prevention discounts, methods for risk adjustment, and a Basic Health Plan.
- **Stakeholder Involvement:** Minnesota will engage diverse stakeholder groups to solicit input on Exchange requirements and options. This will include a plan for ongoing stakeholder involvement.
- **Program Integration:** Grant funds will be used to evaluate and identify viable business models for integration of existing state programs into the Exchange in order to achieve greater value for consumers. Program integration analysis will focus on streamlining and aligning eligibility for public programs, assessing regulatory simplification, and using cost, quality, and satisfaction information to incent value and competition.
- **Resources and Capabilities:** A combination of contracted services and portions of existing staff time will be utilized to conduct activities under the grant. Assessments related to background research, program integration, governance, technical infrastructure, and business operations will estimate the upfront and ongoing costs for the Exchange.
- **Governance:** Grant funding will be used to analyze implementation issues and options related to the governance structure of an Exchange. This analysis will include an assessment of Exchange functions currently being performed by state agencies.
- **Finance:** Ongoing funding options for Exchange operations will be identified and the advantages and disadvantages of these funding sources will be evaluated.
- **Technical Infrastructure:** Grant funds will be used to build on other states' Exchange prototypes and standards and for a "proof of concept" request for proposals (RFP) for the development of technical infrastructure options and cost estimates for an Exchange. Three contractors will be selected to receive a stipend to develop a mock-up or "proof of concept" proposal for Exchange technology, including a detailed budget for the implementation and operational costs of their proposal.
- **Business Operations:** A general assessment of the range of upfront and ongoing costs of an Exchange, not already addressed above, will be conducted for areas such as marketing, "Navigators," outreach, and customer service, health plan certification, risk adjustment, premium collection and aggregation, and providing notices to employers.
- **Regulatory or Policy Actions:** Minnesota will examine regulatory and legislative issues related to the establishment of an Exchange.

**State Planning and Establishment Grants for the Affordable Care Act's Exchanges:  
Minnesota Project Narrative**

**Background Research**

In order to estimate the impact of requirements and options under the ACA, Minnesota requests grant funds for contracted actuarial and economic modeling services and staff time at various state agencies to direct and assist with these modeling activities. Minnesota will contract with Jonathan Gruber, an economist at the Massachusetts Institute of Technology (MIT), and Bela Gorman of Gorman Actuarial to estimate the impact of changes to the insurance market and public programs under the ACA on enrollment, premium levels, state spending, and overall health care costs. To assess the impact of an Exchange in conjunction with these market changes, modeling will also be conducted to assess the impact of options such as the definition of the small group market, merging of the small group and individual markets, allowing wellness and prevention discounts in the individual market, methods for risk sharing/risk adjustment, and a Basic Health Plan.

**Stakeholder Involvement**

Minnesota will engage diverse stakeholder groups to solicit input on Exchange requirements and options. Grant funding is requested for staff time at various state agencies to facilitate discussions with stakeholders. Relevant stakeholder groups include, but are not limited to:

- Consumers, both individuals and advocacy groups, including representatives from rural and other underserved communities,
- Employers, including representatives of small employers and business associations,

- Brokers/agents, entities engaged in enrollment in public programs and other navigators,
- Health insurers, third-party administrators, and other representatives of the health insurance delivery process,
- Health care providers and their organizations,
- Providers of local and regional public health services,
- Health care policy experts and academics, and
- Legislators, and state agency officials.

As other stakeholders are identified during the planning process, efforts will be made to ensure that all relevant viewpoints are considered.

### **Program Integration**

Minnesota will examine the integration of existing state programs with the Exchange to achieve greater value for consumers. Program integration analysis under the grant will focus on three areas designed to provide consumers with a common and simplified one-stop shop experience regardless of whether they are eligible for public or private coverage:

- Streamlining Public Programs: Under the grant, Minnesota will analyze opportunities to streamline public program eligibility and enrollment functions so that consumers have the same experience whether or not they are eligible for Medicaid or subsidies.
- Simplifying Regulation: Under the grant, Minnesota will examine opportunities for regulatory simplification and opportunities to enhance market competition and avoid adverse selection. With the grant, Minnesota will also examine requirements for “Navigators” to make it user-friendly for all consumers to find and use the Exchange.

- Incenting Value and Competition: Minnesota will examine ways to create greater incentives for value and competition among health insurers and health care providers by considering opportunities to integrate Minnesota's existing state health reforms into the operation of the Exchange, especially related to cost, quality, prevention, consumer satisfaction, and payment reform.

Minnesota requests grant funding for agency staff time to analyze program integration opportunities related to these three areas. These program integration efforts will be incorporated into the technical infrastructure activities described later in this application regarding development of prototypes and budget estimates for Exchange implementation.

### **Resources and Capabilities**

A combination of contracted services and portions of existing staff time will be used for grant activities. Minnesota will contract for services to provide actuarial and economic modeling estimates and provide estimates of upfront and ongoing costs of the technical infrastructure needed for an Exchange. In order to utilize existing expertise and ensure coordination among the various state agencies that will interact with an Exchange, a percentage of staff time for existing personnel at the relevant agencies will be dedicated to grant activities. Information and data related to background research, program integration, governance, technical infrastructure, and business operations will be used to estimate the upfront and ongoing costs, resources, and capabilities needed to operate an Exchange. A resource assessment will be completed by the end of 2011.

## **Governance**

Minnesota will assess issues and options related to the establishment of a state Exchange operated either by a public-private entity or a state agency. Grant funding is requested for agency staff time and legal analysis from the Minnesota Attorney General's Office to analyze these options. This analysis will also include an assessment of Exchange functions that are similar to those currently performed by state agencies.

## **Finance**

The ACA specifies that starting in 2015, federal funding will not be available to pay for ongoing Exchange operations. Grant funding is requested for agency staff time to identify and analyze existing and potential financing sources to support ongoing operating costs for an Exchange and other health care activities. In addition, grant funding is requested for staff time from the Minnesota Management and Budget Department (MMB) to assist these agencies in identifying potential financing sources and evaluating the advantages and disadvantages of these funding sources within the context of the overall state budget.

## **Technical Infrastructure**

Grant funding is requested for agency staff time and contracted services to assess the upfront and ongoing costs of establishing the technical infrastructure to comply with Exchange requirements and incorporate Minnesota's program integration plans. Minnesota will use a three step process to estimate the upfront and ongoing costs of the technical infrastructure for the Exchange.

First, Minnesota will build on the efforts of other states to create Exchange prototypes and standards. Policy and information technology staff at various state agencies will analyze options related to Exchange prototypes from other states, standards in other states, and the federal HIT Policy Committee's recommendations in order to identify components to keep, change, and add.

Second, based on the above assessment, technical infrastructure standards for the Exchange will be developed and Minnesota will request assistance from contractors/vendors through a "proof of concept" process to establish options and cost estimates for technical infrastructure requirements for an Exchange. The "proof of concept" creates a two-step process for Minnesota to collect information from contractors/vendors regarding technology options and costs, similar to how road construction companies and architectural firms bid for building projects. During the first step, Minnesota will release a request for proposals (RFP) that specifies the technical requirements and requests proposals for development of the technology for the Exchange. Based on these proposals, three contractors/vendors will be selected to receive a stipend to develop a mock-up/prototype of their proposal for the Exchange technology and a detailed budget for the implementation and operational costs of their proposal. Through this process, the state will obtain a more detailed range of cost estimates and a more solid understanding of the technology options available for an Exchange than would be available through a typical RFP process.

Third, Minnesota will use all or portions of the three prototype proposals to estimate the technology infrastructure costs of the Exchange. By the end of 2011, a final estimate for the upfront and ongoing technology infrastructure costs for the Exchange that incorporate Minnesota's unique program integration policies will be completed.

## **Business Operations**

A general assessment of the range of upfront and ongoing costs related to other core and potential functions of an Exchange will also be addressed as part of this grant application. Some examples include the costs of marketing, “Navigators,” outreach, customer service, health plan certification, risk adjustment, premium collection and aggregation, and providing notices to employers. Grant funding is requested for state agency staff time to establish cost estimates for these Exchange functions.

## **Regulatory or Policy Actions**

Minnesota will examine regulatory and legislative issues related to the establishment of a state Exchange operated either by a public-private entity or a state agency. Grant funding is requested for agency staff time and legal analysis from the Minnesota Attorney General’s Office to analyze Exchange regulatory and legislative issues.



## Work Plan and Timeline

Grant Objectives	Timeframes and Milestones				Responsibility
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	
Background Research	Complete preliminary actuarial and economic modeling of overall market impact and Basic Health Plan analysis	Finalize actuarial and economic modeling of overall market impact and start analysis of other issues besides Basic Health Plan	Complete actuarial and economic modeling	Communicate results to policymakers, stakeholders, and the public	Contractors - Jon Gruber and Bela Gorman, State Staff - MDH State Health Economist and Research Supervisor
Stakeholder Involvement	Communicate with diverse stakeholder groups; Start Modeling Advisory Group; Solicit input from stakeholders on IT infrastructure	Create and implement a structure and plan for ongoing communication with diverse stakeholders; Start Risk Adjustment Advisory Group; Work with Modeling Advisory Group	Continue seeking input from stakeholder groups; Work with Modeling and Risk Adjustment Advisory Groups; Solicit stakeholder reactions to IT infrastructure prototypes	Continue seeking input from stakeholder groups; Communicate results of Risk Adjustment Advisory Group to policymakers, stakeholders, and public	Potentially all state staff, but primarily DHS Assistant Commissioner for Health Reform, DOC Health Policy Director, and MDH Planner Principal
Program Integration	Develop program integration policy for three key areas; Incorporate program integration policy into evaluation of other state prototypes and development of MN standards; Solicit stakeholder input	Solicit stakeholder input	Evaluate inclusion of program integration policy standards in IT infrastructure prototypes; Solicit stakeholder input; Complete upfront and ongoing cost estimates		Potentially all state staff, but primarily MDH State Health Economist and Reform Initiatives Director; DHS Assistant Commissioner, Assistant Commissioner for Health Reform, and Health Care Eligibility and Access Director; and DOC Commissioner
Resources and Capabilities	Work on resource assessment	Work on resource assessment	Complete resource assessment		MDH Planner Principal
Governance	Complete analysis of implementation and legal issues of public-private entity and state agency governance of Exchange				MDH State Health Economist, DHS Assistant Commissioner for Health Reform, and MN Attorney General's Office

Finance	Complete initial, high-level analysis of potential ongoing funding sources and simplification		Update and expand analysis of potential funding sources and simplification to reflect level of funding needed		MDOC Commissioner, MDH State Health Economist, and DHS Assistant Commissioner and Assistant Commissioner for Health Reform, with additional analysis, summary, and review by MMB Executive Budget Officer
Technical Infrastructure	Evaluate other states' prototypes and standards and determine standards and requirements to keep, change, and add; Finish requirements for RFP	Release RFP and select three contractors/vendors to develop prototype "proof of concept"	Receive "proof of concept" prototypes and cost estimates; Develop final upfront and ongoing cost estimates		MDH IT Project Manager and Health Policy Director, DHS Information Systems Director, DOC Information Management Services Director, and contractors
Business Operations	Determine, as appropriate, cost estimates for business operations	Determine, as appropriate, cost estimates for business operations	Complete cost estimates for various business operations		MDH Planner Principal, DHS Health Care Eligibility and Access Director, and DOC Health Policy Director
Regulatory and Policy Actions	Complete analysis of regulatory and legislative Exchange issues			Update analysis of regulatory and legislative Exchange issues as needed	DHS Assistant Commissioner for Health Reform and MN Attorney General's Office

## State Planning and Establishment Grants for the Affordable Care Act's Exchanges:

### Minnesota Budget Narrative

The Minnesota Department of Commerce (MDOC) requests grant funds for personnel, fringe benefits, contractual costs, supplies, travel, other costs, and indirect costs to accomplish the goals of the grant application.

**Personnel:** A portion of time from fourteen existing positions within the MDOC and the Minnesota Departments of Health (MDH), Human Services (DHS), and Management and Budget (MMB) will be dedicated to the grant activities. The Commissioner of the Department of Commerce will set high level strategic direction and the State Health Economist will serve as the project director.

<u>Title</u>	<u>Time</u>	<u>Amount Requested</u>
MDOC - Commissioner Mike Rothman	15% for 12 months	\$17,145
MDH/MDOC - Health Economist/Exchange Dir April Todd-Malmlov	40% for 12 months	\$40,298
DHS - Assistant Commissioner for Health Reform Lauren Gilchrist	20% for 12 months	\$21,678
MDOC - Information Mgmt Services Director Greg Fetter	35% for 12 months	\$33,639
MDOC - Health Policy Director Tina Armstrong	30% for 12 months	\$15,980
MDH - Planner Principal Carley Barber	20% for 12 months	\$12,269
MDH - IT Project Manager Peter Frank	50% for 12 months	\$48,535
MDH - Research Supervisor Stefan Gildemeister	10% for 12 months	\$8,442

MDH - Health Policy Dir/HIT Coordinator James Golden	5% for 12 months	\$4,948
MDH - Reform Initiatives Director Katie Burns	5% for 12 months	\$4,526
DHS - Assistant Commissioner Scott Leitz	10% for 12 months	\$10,839
DHS - Enterprise Architect Tom Baden	35% for 12 months	\$36,094
DHS - Health Care Eligibility & Access Director Karen Gibson	20% for 12 months	\$19,915
MMB - Executive Budget Officer Angela Vogt	5% for 12 months	\$3,500

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***Total Personnel*** ***\$277,808***

**Fringe Benefits:** 30.6% of personnel for 4 months and 31.8% of personnel for 8 months, for a 12 month average of 31.4%. ***Total Fringe Benefits*** ***\$87,231***

**Contractual Costs:** Minnesota requests \$225,000 to contract with Jonathan Gruber at the Massachusetts Institute of Technology (MIT) and \$150,000 to contract with Bela Gorman of Gorman Actuarial for actuarial and economic modeling services to determine the state market impact of ACA provisions and Exchange options. This team is nationally recognized for their expertise, has detailed knowledge of Minnesota-specific data sources through previous work with Minnesota, and has an existing model with assumptions based on ACA provisions that will allow for the availability of time-sensitive results.

Minnesota requests \$150,000 for a “proof of concept” request for proposals (RFP) for development of technical infrastructure options and cost estimates for technology to operate an Exchange. Based on these proposals, three contractors/vendors will be selected to receive up to a

\$50,000 stipend each to develop a mock-up or “proof of concept” of their proposal for Exchange technology, including detailed budget for the implementation and operational costs of their proposal. We expect to award three contracts to vendors at \$50,000 per contract.

***Total Contractual Costs*** ***\$525,000***

**Supplies:** General office supplies (pens, pencils, paper, etc). ***Total Supplies*** ***\$862***

**Travel:** Cost for four state staff to attend required out-of-state quarterly grant meetings. Each trip per person is estimated at \$1,085.

Airfare \$500 x 4 x 4 = \$8,000

2 nights lodging at \$200 per night \$400 x 4 x 4 = \$6,400

3 days per diem at \$35 per day \$105 x 4 x 4 = \$1,680

Ground transportation and misc \$80 x 4 x 4 = \$1,280

***Total Travel*** ***\$17,360***

**Other Costs:** Legal consultation with the Minnesota Attorney General’s Office at \$120 an hour for 60 hours. ***Total Other Costs*** ***\$7,200***

**Indirect Costs:** 14% of total personnel, fringe, supply, travel, and other costs and \$5,975 for each contract. Calculated based on an indirect cost rate of 14% proposed by MDOC to HHS to be effective July 2010.

***Total Indirect Costs*** ***\$84,539***

***Total Federal Financial Request:*** ***\$1,000,000***

## **State Planning and Establishment Grants for the Affordable Care Act's Exchanges: Minnesota Key Personnel, Job Descriptions, and Organizational Chart**

### **Key Personnel and Job Descriptions**

A combination of contracted services and portions of existing staff time will be utilized to evaluate the requirements and options for an Exchange, analyze the impact of an Exchange, engage stakeholders, develop program integration policy, and estimate the level of upfront and ongoing costs for the technical infrastructure and business operations needed for Exchange establishment. A portion of time from fourteen existing positions within the Minnesota Departments of Commerce (MDOC), Health (MDH), Human Services (DHS), and Management and Budget (MMB) will be dedicated to the grant activities. The Commissioner of the Department of Commerce will set high level strategic direction and the State Health Economist will serve as the project director.

**MDOC Commissioner:** Mike Rothman will dedicate 15% of his time for 12 months to grant activities. Mr. Rothman is responsible for the Department of Commerce, which includes the regulation of health insurance. Mr. Rothman will provide leadership for Exchange grant activities for all state agencies. In addition to his overall responsibility for the implementation of the Exchange, Commissioner Rothman will also provide leadership on program integration related to regulatory simplification and funding options for the Exchange.

**MDH - MDOC State Health Economist/Health Insurance Exchange Director:** April Todd-Malmlov will dedicate 40% of her time for 12 months to grant activities. Ms. Todd-Malmlov is responsible for informing state health policy decisions through the collection and analysis of information related to health care access, cost, and quality. Under the direction of Commerce Commissioner Rothman, she will serve as the project director and the Health Insurance Exchange Director. As the Health Insurance Exchange Director, she will manage and lead the interagency team responsible for the Exchange planning process. In addition, she will direct the background research pertaining to the actuarial and economic modeling activities under the grant and provide leadership on program integration activities and funding options for the Exchange.

**DHS Assistant Commissioner for Health Reform:** Lauren Gilchrist will dedicate 20% of her time for 12 months to grant activities. Ms. Gilchrist is responsible for leading the agency's efforts to implement health reform, including coordination across the Department of Human Services and with the Departments of Commerce and Health. Ms. Gilchrist will ensure coordination of Exchange activities with other state and federal health reform initiatives at these departments. She will specifically provide leadership on Exchange activities related to stakeholder involvement, governance, and regulatory/policy actions.

**MDOC Information Management Services Director:** Greg Fetter will dedicate 35% of his time for 12 months to grant activities. Mr. Fetter is responsible for directing the information and data integrity of the enterprise for the Department of Commerce, including all data centers, service desks, production scheduling functions, communication networks, application development and support, security, and project management functions. Mr. Fetter will provide

leadership for the Department of Commerce on the assessment of the costs and options for the technical infrastructure of the Exchange.

**MDOC Health Policy Director:** Tina Armstrong will dedicate 30% of her time for 12 months to grant activities. Ms. Armstrong is responsible for providing health policy and consumer communication support for the Market Assurance Division of the Department of Commerce. Under the grant, Ms. Armstrong will be responsible for activities related to stakeholder involvement and estimating costs for various business operations of an Exchange.

**MDH Planner Principal:** Carley Barber will dedicate 20% of her time for 12 months to grant activities. Ms. Barber is responsible for monitoring state and federal health reform issues and coordinating activities and communications related to these issues. Under the grant, Ms. Barber will be responsible for activities related to stakeholder involvement, determining needed resources and capabilities, and estimating costs for various business operations of an Exchange.

**MDH IT Project Manager:** Peter Frank will dedicate 50% of his time for 12 months to grant activities. Mr. Frank manages information technology (IT) related activities for the Health Policy Division and Health Economics Program within the Minnesota Department of Health. These activities include the processing of data collections, system administration of hardware and software, project management, IT budget and policy reviews, and vendor partnerships. Mr. Frank will manage the work for the assessment of the costs and options for the technical infrastructure of the Exchange.

**MDH Research Supervisor:** Stefan Gildemeister will dedicate 10% of his time for 12 months to grant activities. Mr. Gildemeister is responsible for directing, planning, and organizing the design and conduct of research studies and data collection initiatives pertaining to health care market conditions and competition, health care spending, and health insurance coverage. Mr. Gildemeister will provide assistance with background research pertaining to the actuarial and economic modeling activities under the grant.

**MDH Health Policy Director/State HIT Coordinator:** James Golden, Ph.D. will dedicate 5% of his time for 12 months to grant activities. Dr. Golden provides strategic direction for the following activities: monitoring and tracking health care access, cost, and quality; implementing Minnesota's current health reform efforts, including transparency and public reporting; promoting the adoption, use and exchange of health information through electronic health records; implementing uniform billing and coding requirements; and promoting access to quality health care for rural and underserved urban Minnesotans. Dr. Golden has also been designated by the Governor as the State HIT Coordinator. Dr. Golden will assist with the assessment of the costs and options for the technical infrastructure of the Exchange.

**MDH Health Reform Initiatives Director:** Katie Burns will dedicate 5% of her time for 12 months to grant activities. Ms. Burns manages quality measurement, transparency, and payment reform initiatives at the Minnesota Department of Health, which includes the Provider Peer Grouping System. Ms. Burns will assist with the development of program integration policy related to the integration of Provider Peer Grouping information in the Exchange.

**DHS Assistant Commissioner:** Scott Leitz will dedicate 10% of his time for 12 months to grant activities. Mr. Leitz is responsible for health care administration at the Department of Human Services. He oversees Minnesota Health Care Programs eligibility and benefit policies, state MinnesotaCare operations, provider relations, and health care payment systems. Mr. Leitz will provide leadership for Exchange grant activities for the Department of Human Services. He will specifically provide leadership on public program integration and funding options for the Exchange.

**DHS Enterprise Architect:** Tom Baden will dedicate 35% of his time for 12 months to grant activities. Mr. Baden is responsible for leadership in vision, overall direction, guidance, definition and leading the effort to develop, maintain, govern and evolve the information technology enterprise architecture function and program across the Department of Human Services. Mr. Baden will provide leadership for the Department of Human Services on the assessment of the costs and options for the technical infrastructure of the Exchange.

**DHS Health Care Eligibility & Access Director:** Karen Gibson will dedicate 20% of her time for 12 months to grant activities. Ms. Gibson is responsible for processes associated with health care eligibility and access for the Department of Human Services. She advises on strategic and tactical directions to improve the well being of children, families, people with disabilities and senior citizens. Under the grant, Ms. Gibson will be responsible for public program integration and developing options and estimating costs for various business operations of an Exchange.

**MMB Executive Budget Officer:** Angela Vogt will dedicate 5% of her time for 12 months to grant activities. Ms. Vogt is responsible for evaluating the fiscal impact on the state of health care related programs. She evaluates budget options for possible inclusion in the Governor's budget, reviews all policy bills for fiscal impact, and reviews assumptions to determine what is included in the official MMB forecast. Ms. Vogt will provide assistance in identifying and analyzing potential ongoing financing sources for an Exchange and evaluating advantages and disadvantages of the identified funding sources within the context of the overall state budget.



# Organizational Chart

