CALIFORNIA HEALTH BENEFIT EXCHANGE BOARD

June 15, 2011

Employment Development Department
Auditorium
800 Capitol Mall
Sacramento, CA 95814

MINUTES

Agenda Item I: Call to Order, Roll Call, and Welcome

Chairwoman Diana Dooley called the meeting to order at 10:07 AM.

Board Members Present:
Kimberly Belshé
Diana Dooley
Paul Fearer
Susan Kennedy

Agenda Item II: Approval of the May 24, 2011 Minutes

Chairwoman Dooley presented the minutes to the Board for approval and asked for a motion to approve them.

Presentation: California Health Benefit Exchange Board May 24, 2011 Minutes

Motion/Action: Mr. Fearer moved to approve the May 24, 2011 minutes. Ms. Belshé seconded the motion.

Discussion: None.

Public Comment: None.

Vote: Roll was called, and the motion was approved by a unanimous vote.

Agenda Item III: Presentation by Center for Consumer Information and Insurance Oversight (CCIIO) and Center for Medicaid and State Operations (CMSO)

Chairwoman Dooley introduced Joel Ario, Director, Office of Health Insurance Exchanges, CCIIO and informed the audience that Cindy Mann, Director, CMSO was unfortunately unavailable to attend the meeting due to responsibilities in Washington, D.C.

Presentation: Biography for Joel Ario

Mr. Ario discussed state-based exchanges, noting that the rest of the country looks to California for leadership on exchanges. Mr. Ario said he would discuss three components of exchanges, providing the 1) vision, a 2) progress report, and 3) expectations. In regards to the vision, Mr. Ario said that the exchanges will provide an open and transparent competitive marketplace to purchase private health insurance. He said that exchanges will also bring together a number of programs, especially Medicaid, tax credits, and CHIP, noting that access to these programs would be found through one door with a 21st century customer experience.

Mr. Ario provided a progress report, stating that the RFI released in August 2010 gave CCIIO a good understanding of the public's needs for exchanges and noting that state flexibility is a key factor in implementing exchanges. He also said that it was important for states to not have to reinvent the wheel, particularly with IT systems, noting that the planning grants had been given to 49 states and the District of Columbia and that early innovator grants would provide states with templates for IT systems. Mr. Ario also discussed the establishment grants, saying that Washington, Rhode Island, and Indiana applied for and received Level I establishment grants in the $6 to $25 million range. He noted that California was planning to apply for an establishment grant by June 30, 2011, asking states to be as ambitious as possible in getting a Level I grant.

Mr. Ario then discussed federal expectations, saying that establishment grants and IT innovators would continue to move forward while HHS builds the federal data hub and the federal fallback option. He said that HHS is close to releasing the first proposed set of rules giving broad guidance on regulations regarding the exchange certification process and that HHS will release a second set of proposed rules in the fall that will include regulations for essential health benefits and related exchange activities. Mr. Ario said that in 2012 the rules would become final and IT innovator builds will become complete, noting that certification of state exchanges by January 1, 2013 is the next big step after 2012.

> **Discussion:** Chairwoman Dooley asked Mr. Ario to talk more strategies for achieving a broad risk pool in the Exchange. Mr. Ario noted that the ACA provides three major advantages to help achieve this: the individual mandate, tax subsidies, and state flexibility. He said that California has already begun taking advantage of state flexibility by disallowing catastrophic coverage to be sold outside the Exchange by companies not operating in the Exchange.
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> Ms. Kennedy asked about the most important elements to keeping costs down. Mr. Ario stated that delivery system reform is a promising method for keeping costs down, noting that a number of initiatives at the Innovation Center attempt to shift the market from competing around risk to competing around quality. Mr. Ario also said that an important long-term goal for the Exchange should include playing a role in transforming the marketplace.
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> Mr. Fearer asked about the biggest priorities for the next six months. Mr. Ario answered that IT is the longest process and thus needs to begin as soon as possible. He also noted that fifteen states have begun legislation, stating that California is already ahead in this

area and is generally ahead of other states in developing the necessary relationships between Medicaid and the Exchange.

Mr. Fearer asked for Mr. Ario's opinion on the reports that note that employers will exit the insurance market and push their employees towards the Exchange. Mr. Ario said he believed those reports, including the recent McKinsey study, were wrong. First, he said, in looking to Massachusetts, the only state with a similar experience, more employees offered coverage as a result of the law, resulting in an increase in employer-based coverage. He also noted that during the legislative process some people wanted to get rid of employer-based insurance but that employers were the biggest opponents to this and thus it would be odd for them to drop coverage after fighting to retain its structure in the ACA.

Mr. Fearer asked about opportunities for states to collaborate on IT. Mr. Ario stated that there is tremendous interest among states not to reinvent the wheel, noting that the federal data hub and the federal fallback option would also provide opportunities for collaboration between the states and the federal government. He said that the goal is for each state to operate its own exchange.

Ms. Belshé asked about those who wouldn't be served by the online, automated functionality, inquiring as to where that functionality works well and where it doesn't. Mr. Ario acknowledged that the online functionality would not be the ideal entry point to coverage for certain population including the disabled, but he expressed his belief that over time, the number of online applications will increase.

Ms. Belshé followed up asking how states could get those populations into the 21st century customer experience systems. Mr. Ario stated that state flexibility would be helpful in getting states to that final experience, even if states were only partly there by 2014, noting that most populations will be served automatically. Ms. Belshé said that California has good lessons learned from the counties and MRMIB, acknowledging that face-to-face interactions are important to eligibility determinations. Mr. Ario agreed.

Ms. Belshé asked about the Basic Health Program (BHP) and federal thoughts. Mr. Ario said that he met with John Ramey and John Grgurina in Washington, D.C. to discuss the BHP. He stated that regulations will be released later this year. Mr. Ario said that, for the population between 138% and 200% of FPL, there could be real advantages with the BHP including continuity of coverage with Medicaid. However, Mr. Ario also noted that the BHP could affect the Exchange by reducing the size of the pool, further noting that the lower income population that would be eligible for the BHP receives a better exchange subsidy and thus should be a better risk population. Therefore, he noted, taking this population out of the Exchange could hurt its viability. Ms. Belshé commented that while it seems that the problems the BHP is trying to address are important she would hope that all problems and strategies were thought through, such as vertical integration. Mr. Ario noted that those issues relate to the vision of the Exchange and seamless coverage, stating that there will be more questions regarding these long-term goals in the future.

Public Comment: Elizabeth Landsberg, Legislative Advocate, Western Center on Law and Poverty, asked about the viability of California putting more money into its Level I establishment grant application for consumer assistance. She also asked about the steps needed for development of eligibility and enrollment systems. Mr. Ario responded that state proposals can be as ambitious as possible but that each state needs to make its own decisions on the grant application. He said that states need to work on IT as soon as possible as it is a critical near-term goal.

David Ford California Medical Association, noted that Mr. Ario had mentioned three other states who had applied for Level I grants already and asked if there was anything California should think about from those applications. Mr. Ario responded that each state wrote their application tailored to their own particular environment and stated that each state already has something to work with and is building off of what is already there.

Chad Silva, Statewide Policy Analyst, Latino Coalition of California, commented that certain populations in California will have a hard time accessing the web and other services, asking how the Board could address this problem. Mr. Ario noted that the ACA clearly envisions multiple access points and linguistically appropriate approaches, noting that these issues will be reflected in the proposed exchange rules.

Lucy Quacinella, Maternal and Child Health Access and the California School Health Center Association, commented that she was intrigued by the real-time enrollment systems that are envisioned and how they would work with current databases, such as the wage database, which may lag by one quarter or more. She also asked if there had been any thinking about horizontal integration, using the example of California, in which pregnant women up to 200% FPL are covered, and what can be done to ensure they don't lose coverage under the ACA. Mr. Ario responded to the first comment, saying that the ACA is clear in stating that anyone can request an appeal to an eligibility determination if they think it is incorrect. He also said that the states must continue to cover people above the requirements of the ACA if they already covered them prior to its passage and implementation.

Beth Capell, Lobbyist and Policy Advocate, Health Access California, commented that most of the uninsured population in California is uninsured for less than half of the year and expressed concern about them having to pay back tax credits, asking how the federal hub and states will inform people of their potential financial vulnerabilities. Mr. Ario stated that the federal hub and the state system of notices will inform people of their responsibility to pay back the tax credit should that be required based on income changes. He noted that the federal government would do everything to make sure people are aware.

Agenda Item IV: Report from the Acting Administrative Officer

Pat Powers, Acting Administrative Officer, presented the agenda of the June 15, 2011 Board meeting and explained the order of events and gave the names of the people who would be presenting. She noted that the purpose of the June 28 Board meeting is to approve the Level I grant application, which is consistent with the Board's policy making approach of discussing an issue in one meeting and taking action in a subsequent meeting. She also noted that the grant proposal is ambitious and thanked the team of funders and consultants who are supporting its development.

Agenda Item V: Search/Recruitment Subcommittee Status Report

Mr. Fearer presented the status report from the Search/Recruitment Subcommittee, stating that the Board chose to contract with CPS HR Consulting for the Executive Director (ED) and Chief Counsel recruitments based on their experience recruiting for state and non-profit entities and their structure as a quasi-governmental entity, thus allowing the Exchange to avoid a lengthy contracting process. Mr. Fearer also said that the recruiting schedule is compressed because the Exchange wants to appoint an ED by August. Mr. Fearer directed Board members to send possible candidate names and referrals to Ms. Powers (who will not be a candidate) and asked partners and stakeholders to reach out to anyone who may be qualified. He noted that the search would be national and thus references would be critical to its success. Mr. Fearer asked that resumes and suggestions from the public be directed to Pam Derby, noting that her contact information is located on the ED recruitment brochure. Mr. Fearer stated that the subcommittee's next step would be to identify qualified candidates and begin interviews in July.

Presentation: Exchange Executive Director Recruitment Brochure

Chairwoman Dooley emphasized Mr. Fearer's invitation to stakeholders and the public and requested that they provide references and referrals.

Agenda Item VI: Eligibility/Enrollment Systems and Program Integration – Follow-up from 5/24 Meeting

Ms. Powers explained the agenda item, saying that it would include follow-up items on administrative costs from the last meeting. She introduced Toby Douglas, Director, Department of Health Care Services (DHCS), who was at a national Medicaid directors' meeting and unable to attend the last Board meeting when program integration was discussed.

Mr. Douglas discussed program integration issues relative to the Exchange and DHCS. He said that, in regards to eligibility, the expectations of a 21st century experience require working with various groups, including the Exchange, on eligibility rules and MAGI. Mr. Douglas noted that DHCS is already working with the Exchange in looking at the User Experience 2014 project. He said that the Exchange and Medi-Cal have substantial market power and as a result it will be important to align incentives while working together to coordinate on branding and outreach. Mr. Douglas stated that he wants to work closely with the Exchange to bring about successful implementation.

Discussion: Ms. Belshé commented that Mr. Douglas' presentation underscored the importance of working collaboratively with Medi-Cal.

Chairwoman Dooley said that representatives from the Managed Risk Medical Insurance Board (MRMIB) and the County Welfare Directors Association (CWDA) were present and asked Board members if they had any questions. Ms. Belshé asked MRMIB about the difference between administrative costs for the Healthy Families Program (HFP) and the Single Point of Entry (SPE). Ernesto Sanchez, Deputy Director of Eligibility, MRMIB, explained that HFP operates on a PMPM basis to incentivize enrollment while the SPE costs are based on rates for forwarding enrollees to the counties. He said that of applications that come through SPE, about 35% go to the counties and about 65% go to HFP. Mr. Sanchez explained that the costs are more expensive for SPE due to performing the income screening and forwarding the application to the county, noting that SPE rates were negotiated with DHCS and MRMIB's third party administrator.

Presentations: County Welfare Directors Association Letter to Exchange Board
Managed Risk Medical Insurance Board (MRMIB) Letter to Exchange Board
MRMIB Attachment

Ms. Belshé noted that this underscores the complexity of the current system and the need for simplification.

Public Comment: Kristin Golden Testa, Director, California Health Program, The Children's Partnership, 100% Campaign, commented that Exchange and Medi-Cal will have to collaborate on other process issues in addition to the user experience.

Mr. Ford commented on churning between the Exchange and Medi-Cal, noting that it is important to make the transition between programs easy and transparent. He also said that CMA wants to make medical homes work and is willing to work with the Exchange to create success.

Continued Board Discussion: Chairwoman Dooley noted the need for stakeholder involvement and said that the Board would be establishing work groups soon, acknowledging that staffing shortages have prevented them from being formed.

Ms. Belshé said that the data from CWDA and MRMIB helped illustrate how applications are submitted, noting that there are many avenues through which people apply. She asked CWDA if there was work being undertaken to get more detail on their data. Meg Sheldon, Information Technology Associate, CWDA, responded that they were working to get more detail, noting that they have information for about two-thirds of the state.

Ms. Belshé asked about the principle barriers to utilization of the online application, and specifically whether any cultural barriers exist. Ms. Sheldon said that cultural barriers are one factor to investigate, but that the longer the online application is available the rate of use greatly improves. She said that she didn't have data on the percentage of

applications fully completed online but noted that about 29% of Stanislaus County applications begin online.

Mr. Sanchez said that MRMIB is working on an independent evaluation of the Health-e-app and noted that the issues surrounding the online application may relate more to the application itself rather than an online versus in-person preference. He said that having to mail in income documentation is a barrier to completing an application online. Ms. Sheldon agreed, noting that required documentation makes it hard for people to complete an application online and provides evidence for simplifying eligibility rules.

Agenda Item VII: Level I Establishment Grant Presentation

Ms. Powers and Joe Munso, California Health Benefit Exchange, presented the overview and summary of California's Level I Exchange Establishment grant application.

Presentation: Overview of Level I Grant Application
Summary of Level I Grant Application

Ms. Powers described the grant application, stating that proposed grant funding consists of roughly 70% for consultants and 30% for Exchange staff. She said that stakeholder consultation is important and that each section of the grant includes a stakeholder process. With respect to the core area of legislative/regulatory affairs, Ms. Powers noted that there are many bills moving through the legislature quickly that would affect the Exchange and that, as a staff person, if at all feasible, she would request that they be two year bills to allow the Exchange an opportunity to analyze them as there hasn't been capacity to do so at the current time. In regards to consumer assistance, Ms. Powers said that the Exchange is working with DMHC as they move forward with implementation of the Consumer Assistance Program (CAP) grant through October 2012. She said that it is important for the Exchange to partner with DMHC now on CAP because many of those activities will be rolled up into the Exchange. Ms. Powers noted that the eligibilty/enrollment IT concept will be decided upon in October, and the budget assumes beginning implementation of the selected solution some time within the first quarter of 2012.

Mr. Munso presented the budget assumptions from the grant application. He noted that best estimates were used regarding the number of FTEs required in each core area to move the Exchange into the next year, saying that they applied appropriate salary and fringe benefit rates and used DHCS's standard cost to bring on an employee. Mr. Munso said that the next iteration of the application would include an organization chart and adjustments for salaries based on employment time. He noted that while the IT was a high estimate it wasn't out of sync with other states' applications, saying that it would help to fund consultants that DHCS is bringing onboard as part of the partnership between the Exchange and DHCS. Mr. Munso said that consultant costs were estimated based on hourly rates or other states' estimates.

Discussion: Chairwoman Dooley thanked the staff and consultants working on the grant application and Ms. Belshé, as the single member of the Grant Subcommittee.
Ms. Belshé said that the grant application represents the effort to ensure California has the resources necessary for successful implementation. She stated that staff endeavors to be ambitiously prudent regarding FTEs necessary for the standup of the Exchange.

Ms. Kennedy asked about consultant costs for health plan management, noting that they seemed low. Mr. Munso responded that health plan management consultants had a higher hourly rate but that staff would look back to see if more hours need to be added.

Mr. Fearer stated that he agreed the health plan management area seemed low. He asked about the cost of the basic categories for bringing a new employee on board. Mr. Munso responded that the cost, about $26,000, included a computer, desk, in-state travel costs, office supplies, etc. and are recognized as a basic complement of office materials. Mr. Fearer asked about real estate costs and whether they had been added. Mr. Munso said that the budget includes $500,000 for office space.

Mr. Fearer noted that the business and operational planning section also seemed low but he assumed that other FTEs would be used in that area. Mr. Munso responded that FTEs assigned to other sections would be used in the business and operational planning section as well.

Mr. Fearer noted that the Navigator and consumer assistance sections seemed light as well. Mr. Munso said that because this grant is a Level I establishment it involves more planning and that these sections will be larger in the Level II establishment grant application.

Public Comment: Ms. Capell thanked staff for posting the grant application documents early and noted that over $25 million goes to IT, questioning if the eligibility and enrollment piece, especially regarding in-person capacity and a call center, needed more money. Ms. Capell said she was also troubled by the limited funding for consumer assistance and stakeholder participation. In regards to health plan management, Ms. Capell suggested looking at PERS as a model, noting that the Exchange is more similar to PERS than to MRMIB. She said that this section feels underfunded and questioned if, when looking at the calendar, there are enough resources to ensure the Exchange can play an effective role as an active purchaser. Ms. Capell said that Health Access would like to be a part of conversations regarding the strategic visioning.

Betsy Imholz, Consumers Union, commented that she shared the concerns regarding consumer assistance and added that outreach and education is also underfunded, explaining that marketing and branding needed to begin as soon as possible. Ms. Imholz said that, in regards to program integration, partnering to avoid adverse selection would be particularly important and should be called out specifically. She stated that the fraud, waste, and abuse plan looked like it consisted entirely on consultants and asked why. Ms. Imholz also hoped that the grant built in time for HIT policy conversations. Chairwoman Dooley reminded the audience that the Level I establishment grant provided funds for planning in many areas for the first year, such as the fraud, waste, and abuse plan, and that those areas would be robust in the next application. Ms. Powers added that there are planning grant monies ($1 million) that will be used in the upcoming months. She noted that the IT estimate is based on a build model, the call center and outreach and education, especially branding, are built into the business and operational planning section, and the

Exchange is working with DMHC on the current CAP grant for branding as well. Ms. Powers said that staff may have located various elements of the grant in different core areas than stakeholders have.

Ms. Golden Testa commented that in regards to program integration and stakeholder involvement, it is great to have conversations with everyone, including departments, stakeholders, the Board, and others. She noted that policy issues for eligibility and enrollment need to be addressed sooner rather than later and asked that the Board consider some legislation now. Ms. Golden Testa referred specifically to AB 1296 for legislation. She asked if the request for proposal (RFP) for IT is just for the gap analysis or if it's for the build. Ms. Powers responded that the Exchange hope to have stakeholder discussion in the summer, a Board decision in the fall, and an RFP shortly thereafter. She said that DHCS already has a request for offer (RFO) for technical consultants to look at IT integration. The Exchange is partnering with DHCS on this effort. The budget assumes implementation to build begins within the first quarter of 2012.

Ms. Capell expressed concerns about waiting for legislation, noting that the legislative calendar prevents any bills not passed this year from going into effect until January 2013 and encouraging the Board to be mindful of this fact.

Cary Sanders, Director of Policy Analysis and the Having Our Say Coalition, California Pan-Ethnic Health Network (CPEHN), echoed concerns regarding the funding for the Navigator program, consumer assistance, and stakeholder involvement and expressed concern that the Exchange is not taking advantage of the diversity of California. She said that she wants to see California push the model for providing linguistic and cultural access, noting that she didn't see any specific mention to translation services. In regards to consumer assistance, Ms. Sanders said that while DMHC is working with the CAP grant she still has concerns regarding in-person assistance and wanted more clarity on this topic and the legal services available to the served populations. Ms. Sanders also stated that she is concerned about FTEs leading focus groups and recommended that the Board add funding for researchers to begin developing focus group testing that can reach the 32% of the population that speaks limited English.

Tahira Bazile, Senior Policy Analyst, California Primary Care Association, expressed concern regarding consumer assistance and stakeholder engagement but was appreciative that each group would have a stakeholder process. Ms. Bazile questioned how stakeholders would be chosen, recommending that an ethnically diverse group participate and suggesting that the Exchange tap into work already being done.

Doreena Wong, Director, Asian Pacific American Legal Center's Health Access Project, commented that the Board should offer translators at public meetings and noted that it is important for the Board to have meetings across the state. She said that, in an effort to identify barriers to online application utilization and other application avenues, the Exchange should tap the experience of the users. Ms. Wong noted that this could also be a way to learn about language barriers and how to address them and suggested that the Board allow comments from people outside of Sacramento by providing a telephone line

for call-in. Ms. Wong encouraged working with CBOs who are performing outreach and education projects and suggested using CAP funds for this purpose. She suggested acting on AB 1296, AB 922, AB 714, and AB 792.

Ms. Powers announced that the Exchange would hold a webinar to discuss the grant briefing on June 20, 2011 to ensure broad outreach.

Gil Ojeda, Director, California Program on Access to Care (CPAC), UC Berkeley School of Public Health, commented that CPAC works to give the state access to UC academics for various purposes. He said that he hoped the Board would consider working with the UC for some of its consultant needs.

Carla Saporta, Health Program Director, Greenlining Institute, commented that the stakeholder involvement section needs to include specific language regarding cultural competency and engaging diverse stakeholders. Ms. Saporta encouraged including more staff for cultural competency specifically on HIT.

Sara Nichols, Government Relations Advocate, Service Employees International Union (SEIU) California State Council, encouraged more money to be included in eligibility and enrollment, stakeholder involvement, and consumer assistance. She noted that it was necessary to think through all the requirements and functions of the Exchange in order to get to a Level II grant application, suggested that the Exchange should ask for more money in general.

Mr. Silva commented that there should be more resources for eligibility and enrollment outreach and the consumer assistance plan.

Ms. Quacinella commented that policy decisions will need to be made regarding the changes of the ACA and the current lack of coordination across Medi-Cal, HFP, and Access for Infants and Mothers (AIM). Ms. Quacinella noted that differences in rules between the three programs lead to confusion for consumers and that the ACA provides an excellent opportunity to address these internal inconsistencies. She also said that stakeholder involvement and program integration should be linked, expressing concern that program integration would be focused internally when it should include external stakeholders as well. Ms. Quacinella said that it is important for the Exchange to make the business rules behind the IT public as it could help address inconsistencies and Medi-Cal currently does not do release it.

Mike Russo, Health Care Advocate and Staff Attorney, CALPIRG, commented that there should be more money allocated to consumer assistance and stakeholder involvement, noting that risk adjustment would also need more resources as it will be critical to the success of the Exchange. He said that while the Exchange has the opportunity to bend the cost curve and enact delivery system reform in the long-term, the decisions that are made now will make it easier or harder to do. Mr. Russo said that while he is happy to see content regarding the alignment of purchasing strategies there are other areas of delivery system reform that can be approached.

Ms. Powers stated her belief that the grant application was ambitious while also reflecting how much money can realistically be spent. Chairwoman Dooley reinforced that the application is for a Level I grant and there will be the opportunity to get more money in a Level II application. She said it was important to be careful about credibility with the grant application.

Agenda Item VIII: Adjournment

The meeting adjourned at 12:55 PM.