

Multiple Paths to Being a State-Based Exchange: The State/Federal Partnership Model

Summary

The federal regulations for implementing the Affordable Care Act allow states to consider several options for providing exchange related services on either an interim or permanent arrangement. In the “State-Based Exchange Model” California would be responsible for all of the five core functions of an exchange: (1) consumer assistance and outreach; (2) plan management; (3) eligibility; (4) enrollment and (5) financial management. Under one of the “State/Federal Partnership Model” options, the federal government could be responsible for website management and call center options, while the state would maintain responsibility for plan management, consumer assistance, and outreach efforts. As part of its due diligence, the California Health Benefit Exchange and its project partners in the areas of outreach and enrollment efforts – the Department of Health Care Services (DHCS) and the Major Risk Medical Insurance Board (MRMIB) – are considering the risks and benefits of this option in the context of the major contracting options related to the CalHEERS IT system, service center functionality and the implications on outreach and communications.

Background

The Exchange’s California authorizing legislation provides the Board with the responsibility for the certification and selection of Qualified Health Plans, the maintenance a website to facilitate choice among plans, support for subsidy eligibility determination, the operation of a toll-free hotline to assist consumers and other functions. As the Exchange continues to develop and assess its options during the planning process for delivering these services, the Exchange is examining the potential benefits that federal support offers under the State/Federal Partnership Model and whether that support offers services or systems that cannot be timely obtained or produced by directly by the Exchange. As part of that review, California must consider various perspectives, including the practicality of relying on federal support for only specific aspects of its contracting needs or more broadly as a viable resource for core contracting activities.

The federal government has specifically provided for three Exchange structural models:

- State-based Exchange: states run all core functions of the Exchange, HHS provides grants and manages data services hub to connect to IRS, SSA and DHS
- Federally-facilitated Exchange: HHS runs all core functions of the Exchange, seeks to harmonize with state standards regarding rules inside and outside of the Exchange
- State/Federal Partnership Exchange Model: both HHS and the State operate functions of the Exchange.

California Health Benefit Exchange
Board Options Brief: State/Federal Partnership Exchange Models

Under the State/Federal Partnership Model, the federal government provides three basic options for states to operate certain defined functions while the balance is managed by the Federal government.

Under any option, the goal of the Partnership is to take advantage of the state's expertise and knowledge of their insurance markets. States may use Exchange grant funding to support the functions they choose to operate under the Partnership that are related to establishing the Exchange and may use grant funds to build the capacity to expand the state exchange's role. The three options that the federal government provides are: (1) State operates plan management functions; (2) State operates selected consumer assistance functions; and (3) State operates plan management and selected consumer assistance functions. The opportunities and implications of the State/Federal Exchange Partnership Model under "Option 3" merit further discussion and analysis. The basic division of responsibilities during the transition period is described in Table 1.

Table 1. State/Federal Partnership Exchange Model (In transition to full state based exchange, state operates plan management and selected consumer assistance functions – Federal "Option 3")	
California would be responsible for operating:	HHS would be responsible for operating:
<ul style="list-style-type: none">• Plan selection and contracting• In-person assistance• Navigator management• Outreach and education	<ul style="list-style-type: none">• Website management• Call center operations• Written correspondence to support eligibility and enrollment

The implementation of this option has significant implications for the Exchange's contracts and operations, as well as for the operations and clients served by the other CalHEERS project partners, the Department of Health Care Services and the Managed Risk Medical Insurance Board.

Attached as Appendix 1 is a table that outlines the division of labor between the Federal Exchange, State Exchange and State Medicaid Agency under either the State-Based Exchange or the State/Federal Partnership Exchange (note: this a working draft of California's current understanding of roles and subject to being updated by forthcoming federal guidance from CCIO). In addition, this document includes links to Reference Materials that describe the federal partnership models in more detail.

Next Steps and Required Analysis

The consideration of contracting options – in particular the CalHEERS procurement – can only be made in the context of understanding the full range of available options including the opportunities and implications of the State/Federal Partnership Exchange Model. The CalHEERS project sponsors – the Exchange, DHCS, and MRMIB – will conduct additional analysis and comment from stakeholders before any decision is made.

For the Exchange Board and key partners to fully consider the State/Federal Partnership Exchange Model, potential questions that should be addressed include:

- Feasibility and readiness to meet the 2013 and ongoing needs of Californians
- How will each option best provide for high quality consumer experience, including how Exchange, Medi-Cal and CHIP enrollment would be addressed
- What will be the likely quality of the website experience
- What will be the likely quality of the customer service experience
- Coordination and decision-making for MAGI Medi-Cal eligibility
- Ability to establish and enforce performance/service standards
- Cost (to the federal government, California, the Exchange initially and on an ongoing basis)

California Health Benefit Exchange
Board Options Brief: State/Federal Partnership Exchange Models

Appendix 1: Required Exchange Activities State-Based Exchange and Partnership Model (State QHP and Outreach) (NOTE: California’s current understanding – subject to update and revision from CCIO)			
Exchange Activity	State-Based Exchange Required State Responsibilities	State/Federal Partnership Exchange (Federal “Option 3”)	
		State Functions	Federal Exchange Functions
Authority			
Enabling authority for Exchange and SHOP	✓		✓
Board and Governance Structure	✓	✓	
Consumer and Stakeholder Engagement and Support			
Stakeholder consultation	✓	✓	
Tribal consultation plan	✓	✓	
Outreach and education	✓	✓	
Call center	✓		✓
Internet web site	✓		✓
Navigators	✓	✓	
Agents/brokers	✓	✓	
Web brokers	✓	✓	
Consumer assistance	✓	✓	
Eligibility and Enrollment			
Single streamlined application(s) for Exchange and SHOP	✓		✓
Coordination strategy with Insurance Affordability Programs and the SHOP	✓		✓
Application, updates, acceptance and processing, and responses to redeterminations	✓		✓
Notices, data matching, annual redeterminations and response processing	✓	(Medicaid/CHIP)	SHOP
Verifications	✓	(Medicaid/CHIP)	SHOP
Document acceptance and processing	✓	✓	✓
Eligibility determination	✓	(Medicaid/CHIP)	SHOP

California Health Benefit Exchange
Board Options Brief: State/Federal Partnership Exchange Models

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Electronic communication of eligibility assessments and determinations	✓	✓ (State/Federal for Medicaid/CHIP)	
Applicant and employer notification	✓		✓
Applications, updates, verifications and eligibility for exemption determinations (independently or through Federally-managed services)	✓		✓
Eligibility appeals	✓		✓
QHP selections and terminations,	✓	✓	
Eligibility determinations and calculations for APTC and CSR	✓		✓
Systems interface with the FFE	✓	✓	
PCIP Transition Plan	✓	✓	
Plan Management			
Regulatory authority to certify and oversee certification of QHPs	✓	✓	
QHP certification process based on minimum requirements	✓	✓	
Plan management system(s) that support the collection of QHP issuer and plan data	✓	✓	
Ensure ongoing QHP compliance	✓	✓	
Support issuers and provide technical assistance	✓	✓	
Issuer recertification, appeals, etc.	✓	✓	
Timeline for QHP accreditation	✓	✓	
QHP quality reporting	✓	✓	

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Board Options Brief: State/Federal Partnership Exchange Models

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Plan Management as part of State Partnership		✓	
Financial Management, Risk Adjustment & Reinsurance			
Risk adjustment program	✓		
Reinsurance program	✓	✓	
Premium processing for Individual Market	✓		
SHOP			
SHOP Plan selection and policy determination	✓	✓	
SHOP compliance with 45 CFR § 155 Subpart H	✓		✓
SHOP premium aggregation	✓		✓
Organization & Human Resources			
Organizational structure and staffing resources to perform Exchange functions	✓	✓	
Finance & Accounting			
Long-term operational cost, budget, and management plan	✓	✓	
Technology			
Compliance with HHS IT Guidance	✓	✓	✓
Rehabilitation Act §508 compliance	✓	✓	✓
Adequate technology infrastructure and bandwidth	✓	✓	✓
IV&V, quality management and test procedures	✓	✓	✓
Privacy & Security			
Policies and procedures regarding the Privacy and Security standards set forth in 45 CFR § 155.260(a)-(g)	✓	✓	✓
Safeguards based on Harmonized Security and Privacy Framework	✓	✓	✓
Safeguard Protections	✓		✓

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Oversight, Monitoring, & Reporting			
Routine oversight and monitoring of the Exchange's Activities	✓	✓	
Track/report performance and outcomes metrics related to Exchange Activities	✓	✓	
Uphold financial integrity provisions including accounting, reporting, and auditing procedures	✓	✓	
Contracting, Outsourcing, and Agreements			
Contracting and outsourcing agreements	✓	✓	✓

Reference Materials

Federal Q&A

http://cciio.cms.gov/resources/files/Files2/11282011/exchange_q_and_a.pdf.pdf

Letter from HHS Secretary Sebelius regarding exchange implementation options:

<http://www.healthcare.gov/law/resources/letters/exchanges08122011a.html>

State Partnership Model Description

<http://www.healthcare.gov/news/factsheets/2011/09/exchanges09192011a.html>

Presentation from State Grantee Meeting on Federal-State Partnerships

http://cciio.cms.gov/resources/files/overview_of_exchange_models_and_options_for_states.pdf

Status of state actions on implementing exchanges (as of April 2012)

<http://www.ncsl.org/issues-research/health/state-actions-to-implement-the-health-benefit-exch.aspx>

RWJ report on federal exchange models

<http://www.rwjf.org/files/research/73741.nasi.12.20.11rpt.pdf>