

**Alabama Department of Insurance Project for the State Planning and
Establishment Grant for the Affordable Care Act Exchanges**

PROJECT ABSTRACT

The Alabama Department of Insurance is pleased to submit the following grant application to prepare the state for implementation of the Affordable Care Act's Health Insurance Exchange. The Department will utilize this grant to determine if Alabama has the capability to effectively establish and maintain an Exchange. This will include determining which models would work in Alabama; the governance, financing and structure of the Exchange; what infrastructure would need to be developed or reallocated in order to work with public health insurance programs such as Medicaid and ALL Kids (Alabama's CHIP), website development, and the consumer assistance toll-free hotline; and the managerial aspects of day-to-day operation of the Exchange.

The Department anticipates that it will:

- Subcontract with a research entity that has the capability of providing information on the status of health insurance in the state as it relates to the uninsured, the underinsured and the currently insured to determine what the environment will look like in 2014 and what consumer demand for the Exchanges will be.
- Incorporate a broad-based workgroup and working subgroups of interested stakeholders to assist the Department as it envisions an Alabama Exchange. These stakeholders will include consumer advocacy organizations for consumer input and other state agencies to ensure that all existing systems can work together to enhance the Exchange.
- Seek appropriate legal and regulatory authority to establish an Exchange.

In order to accomplish these initiatives, the DOI anticipates utilizing approximately \$1 million in grant funds to fund a research and planning project which would include subcontracting with a research entity as well as funding for project director and other appropriate Department staff as determined. It is anticipated that a project director will be hired to provide services. Until such time, existing staff will serve as an interim project director and interim assistant project director. Staff support costs as well as travel expenses and fringe benefits are included in this grant application budget.

PROJECT NARRATIVE

The Patient Protection and Affordable Care Act (“Affordable Care Act”) established a framework for states to establish a new marketplace where individuals and small businesses could purchase health insurance—now known as “Exchanges.” These Exchanges are meant to serve as a tool for consumers so they may easily compare health insurance plan options as well as purchase and enroll in these plans, both public and private. These Exchanges also serve as a mechanism to use premium subsidies provided by the government, employers and other groups. Additionally, an Exchange provides an opportunity for consumers to learn about and enroll in public insurance programs such as Medicare, Medicaid and ALL Kids (Alabama’s CHIP program).

The Alabama Department of Insurance’s mission is to serve the people of Alabama by regulating the insurance industry, providing consumer protection, promoting market stability and enforcing fire standards safety and laws. One of the most critical decisions in the furtherance of the Department’s mission is whether the state should establish and manage an Exchange as it is described under the Affordable Care Act. In order to effectively make an informed decision, the Department, in collaboration with the Medicaid Agency and the Department of Public Health (ALL Kids), must analyze a variety of factors that will impact any development of the Exchange and review the accompanying requirements in order to accomplish the goal of creating and operating such an Exchange by the year 2014. This grant proposal will outline the Department’s plans to determine the insured, uninsured and unstably insured populations currently within the state and the anticipated changes in those populations between now and 2014; narrow the program development options for developing an Exchange based on the expected environment in 2014; and, if approved by the new Administration, develop those partnerships and infrastructure necessary to implement an Exchange. Alabama has the added challenge of a change in Administration due to an election year where the current Governor will not be eligible for re-election due to term limitations. In 2011, a new Administration will take office in addition to significant changes in the Alabama Legislature. It is crucial that the DOI and its partner Agencies work diligently to achieve the goals outlined in this grant application in order to provide well-researched recommendations to the new Governor and to the Alabama Legislature.

Background Research: On July 1, 2002, the Alabama Department of Public Health’s Children’s Health Insurance Program (CHIP), with a grant from the U.S. Health Resources and Services Administration, conducted one of the largest and most comprehensive surveys on health insurance ever fielded in Alabama. This survey was focused on health insurance and its availability. The 2003 Alabama Health Care Insurance and Access Survey helped Alabama leaders better understand the characteristics of the uninsured; improved the focus of programs, policies, and outreach activities; and identified those who may be eligible for private or public health insurance coverage but were not enrolled. The Alabama Department of Insurance and its partner Agencies in this grant application were key stakeholders in this effort.

The results of the survey showed there were population groups within Alabama that experienced significantly higher rates of uninsurance than the average for the state. Some potentially important groups included young adults (25-34 year olds specifically), people with lower incomes, unemployed or unpaid workers, temporary or seasonal workers, and employees of very small firms (fewer than 10 employees). Additionally, the survey found that over a third of the uninsured potentially have access to health care coverage through an employer or an existing public program such as Medicaid. This, coupled with the information from the survey

that a majority of the uninsured did not have information regarding public health insurance programs and that most would enroll in such a program, suggested that targeted outreach would be fruitful in reducing numbers of uninsured in Alabama. An Exchange, in conjunction with targeted outreach to the populations who need it most, would be an ideal resource for health insurance coverage for these populations.

The study also focused on an often forgotten population when discussing of health insurance—the underinsured. According to the study results, approximately seven percent of the publicly insured and 11 percent of the privately insured did not seek or postponed health care due to cost in 2002. While at the time this result was substantially lower than the national average of 18 percent, it still highlights a population who could benefit from an Exchange and the standardization of the health insurance policies offered. With these factors and survey results in mind, the Alabama Department of Insurance and its partner Agencies will conduct similar research and establish the criteria of a successful Exchange which will include what state resources and capabilities an Exchange will require. Utilizing the research and methodology previously conducted by the Department of Public Health, the Department of Insurance and its partner Agencies propose to use a three-pronged approach to develop recommendation to the new Governor regarding health insurance coverage and what the position is of businesses and individuals regarding the availability and design of Exchanges in 2014: (1) Gathering primary data plus secondary data to use in the discussions with key stakeholders; (2) Utilizing and empowering groups of stakeholders to research and develop the framework of an Exchange, including options and design; and, (3) Assessing the feasibility of the options presented through and by stakeholders.

This approach will consist of an Executive Workgroup that will serve as the core decision-making group for the final report to the Secretary of Health and Human Services (HHS) and Working Subgroups will focus on particular issues key to the establishment of an Exchange. The Department, in its role as the lead agency and with input from the Executive Committee and Working Subgroups, will provide the final recommendation to the Governor regarding the establishment of an Alabama Exchange.

During the scope of the project, Working Subgroups will consist of stakeholders representing a broad base of Alabamians. The Executive Workgroup will include upper-level decision makers within the Department, its partner Agencies, key advocates, health care providers, insurance vendors, and representatives of business communities across the state. The Working Subgroups will also be comprised of a wide, interdisciplinary range of people who have an interest in health insurance for Alabamians. While the Executive Workgroup will meet monthly to review the progress of the project and to suggest other avenues for investigation, the Working Subgroups will meet more frequently to research possible Exchange development options.

The data collection of the project will consist of two (2) primary data gathering approaches and at least one secondary data assessment program. Primary data will be initially gathered, via a telephone survey, on the insured, the uninsured, the underinsured, and the unstably insured in Alabama. It will seek information on the current insured status as well as barriers to health insurance and its availability—including internet connectivity and access to other technology. This approach will ultimately yield demographic, employment, and other quantitative data on a statistically valid number of households in the state in order for the Department and its partner Agencies to evaluate data at the county level. From development of

the research instrument to the final report, the Department estimates that this survey will span seven months. The second approach to gather primary data will be to gather quantitative data by conducting focus groups. These focus groups are scheduled to be held during a two month time period and will focus on the business community's challenges regarding health insurance as well as individual employee challenges to obtaining health insurance. Such discussions will include what the perception is of an Exchange and what Alabamians would expect an Exchange to do for them.

The third prong of the project will be to assess the feasibility of the establishment of the Exchanges and to assess issues related to different Exchange "models" among the different sectors of the population. This will be accomplished in meetings of key stakeholders and will utilize the data gathered during the study period. Subgroups will focus on the issues crucial to the development of Exchange models utilizing data results.

Stakeholder Involvement: The Department of Insurance will serve as the lead agency in this grant project. In addition to several key staff of the Alabama Department of Insurance, the Executive Workgroup and Working Subgroups will be tentatively comprised of:

- The Alabama Medicaid Agency and the Department of Public Health (ALL Kids), the partner agencies previously outlined in this grant application
- Directors or their designees from other relevant state agencies (including the Alabama Department of Human Resources, the Alabama Department of Mental Health, the Alabama Department of Senior Services, the Alabama Department of Rehabilitation Services, the Governor's Office, Alabama Department of Economic and Community Affairs)
- Representatives from the Health Committees in Alabama's Senate and House of Representatives
- Representatives of both large and small businesses in the state as identified by the Business Council of Alabama
- A representative from the Medical Association of the State of Alabama
- A representative from Alabama Arise and Voices for Alabama's Children (prominent advocacy groups for low income Alabamians)
- A representative from Alabama Family Voices (prominent advocacy group for Alabamians with special health care needs)
- A representative from the research organizations (TBA) that are conducting the survey and research pursuant to this grant proposal. The research organization will be named after a Request for Proposals process
- A representative from the Alabama Hospital Association
- A representative from the Alabama State Employees Insurance Board
- A representative from Blue Cross Blue Shield of Alabama (the largest private insurer in the state)
- A representative from the Alabama Association of Health Plans (the Alabama HMO Association)
- A representative of the Alabama Rural Action Commission (a rural Alabama advocacy organization)

Please note: This list is not exhaustive and groups/organizations may be added or eliminated as necessary.

Governance, Resources and Capabilities: At the conclusion of the study and during the establishment of the recommended Exchange model for the state, if it proves best for Alabama, the Department and its partner Agencies will continue to internally examine its existing resources and capabilities. Should the final result of the study include a recommendation to establish a State-run Exchange, the Department will utilize the Executive Committee and the Working Subgroups to develop a final proposal and plans for the State-run Exchange. This will include any increase or reallocation of existing resources.

The underlying purpose of this grant application is to provide Alabama with an opportunity to conduct a comprehensive study on the current health insurance climate and what can be expected in the future, whether Alabama should run an Exchange, participate in a multistate Exchange or defer to HHS to establish an Exchange. In order to adequately determine this, the workgroups will attempt to answer difficult questions such as:

- What types of Exchange models exist now?
- Should the Individual and Small Group Exchanges be combined?
- Should Alabama include large groups into the Exchange in 2017?
- What information would an Alabama Exchange need to provide Alabamians and what would be the best way to present this information?
- How will Alabama bring consumers to the Exchange? What marketing to specific populations work best?
- What technological challenges exist in the state (i.e. internet connectivity in rural Alabama) and how best can the state overcome these challenges?
- How will the linkages between the Exchange and programs such as Medicaid and ALL Kids occur?
- What are the staffing needs to handle an Exchange? What initial staff requirements will be needed for the open enrollment when the Exchange goes live versus ongoing requirements to operate the Exchange in future years?
- How will funding be created to make the Exchange self-sustainable?
- How will this integrate with www.myalabama.gov and the possibility of a “single point of entry” for eligibility for all assistance programs offered by the state?
- How should the governance structure of the Exchange look? Who will be the “Navigator”?
- Who will have oversight of the Exchange?
- What information should be included in the web portal that will assist consumers in making wise choices that are best for their individual needs?
- How will the Exchange ensure quality and competitive pricing?

Finance and Business Operations. The study outlined in this grant application, once complete, will serve two primary purposes. The first will determine whether Alabama should operate an exchange. If that answer is “yes,” the second purpose will define what the recommended Exchange model will be. At that point, comprehensive planning will be conducted to prepare for implementation of the Exchange. This will include development of a future grant application to “build” the Exchange. In addition, the methods of financing for the Exchange as well as procedures to address reporting, accounting and auditing requirements, criteria for Exchange eligibility, qualifications and other required operation policies and procedures necessary to comply with the Affordable Care Act will be developed.

Program Integration. The Working Subgroups will be dedicated to addressing what an Exchange would need to do in order to integrate existing state programs, specifically Medicaid and ALL Kids. The Working Subgroups will also develop solutions to such challenges as lack of internet connectivity to access the Exchange, and the transfer of eligibility data between systems.

Technical Infrastructure. Among the many provisions of the Affordable Care Act is a requirement that an Exchange maintain a website to provide standardized comparative information on the qualified health benefit plans offered by the Exchange. In addition, the Exchange must operate a toll-free consumer assistance hotline. Currently, the Department has one general website (www.aldoi.gov) and a second website dedicated to health insurance (www.healthinsurance.alabama.gov) that the Department acquired from the Department of Public Health. In anticipation of increased website traffic, these two websites are being consolidated and redesigned to be more consumer-friendly with current and meaningful information for Alabama consumers on the Affordable Care Act. The Department has a Consumer Services Division to provide assistance to consumers on all aspects of insurance. It does not have a dedicated "hotline" for health insurance, however. This grant will enable the Department to study the feasibility of expanding its existing websites to provide the required Exchange comparative information or whether such a website should exist separately from the Department site. The Department is aware that any development must include a process for coordination of Medicaid, ALL Kids and Exchange-related activities as well as the integration of Health Information Exchange standards for program interoperability. Costs in hardware, software, and security measures will be reviewed. Personnel needs, whether new staff or a reallocation of existing staff, will also be a part of this review. Finally, the Department and its partner Agencies will review the need for a toll-free consumer assistance hotline dedicated to health insurance questions, review its current staff capacity for increased utilization of consumer assistance, and what existing services and equipment will need to be enhanced.

Regulatory or policy actions: In order for the Department to establish and run an Exchange, there must be statutory authority to do so. Currently, the Department does not have this authority. Part of the planning for the development of an Exchange will be to create and encourage passage of this legal authority in the 2011 Legislative Session. This will require researching other state laws and model acts from the National Association of Insurance Commissioners (NAIC) for guidance in the language for the Alabama legislation. It will be important for the Department and stakeholders to work together to encourage passage of this important legislation.

ESTIMATED BUDGET SUMMARY

Object Class Category	Federal Funds	Non-Federal Cash	Non-Federal In-Kind	TOTAL	Justification
Personnel	\$73,186	\$0	\$0	\$73,186	
Fringe Benefits	\$27,213	\$0	\$0	\$27,213	
Travel	\$6,975	\$0	\$0	\$5,925 \$1,050	
Contractual	\$890,000	\$0	\$0	\$890,000	<p>Research entity(ies) will be hired on a contract basis for the following tasks:</p> <ul style="list-style-type: none"> --Background research on state health insurance environment (survey, focus groups, report preparation) --Review of Health Insurance Exchange Models and comparisons to Alabama needs identified in background research --Assist ALDOI in identifying appropriate Exchange Models and technical infrastructure recommendations for successful implementation of Exchange Model --Assist in the development of final report to stakeholders and HHS --Development of RFP requirements and/or specifications for final Exchange Model (if applicable) <p><i>Please note: estimates for each contractor amount are approximate</i></p>

					<i>and may vary at the time of award.</i>
Supplies	\$2,626	\$0	\$0	\$2,626	Publications (Copying, Reproduction/Printing) 9/16/10 per your request: 1200 informational folders @\$2 per folder for meetings with stakeholders (\$2400). \$100 for material reproduction for stakeholder meetings. \$126 to provide stakeholders with Exchange related documents for discussion and review.
<u>TOTAL</u>	\$1,000,000	\$0	\$0	\$1,000,000	