Project Narrative

1.   Background Research

In order to determine the best Exchange model to meet the needs of its residents, Arizona requires a strong baseline of information and understanding of how the State's health insurance marketplace currently operates.   Critical state-specific issues that will need to be considered before establishing an Exchange, include but are not limited to the following:

Existing Sources of Coverage

- Number of Arizonans who are employed (by size of employer).

- Number of employers who offer employer-sponsored insurance (by size of employer).

- Number of employees who enroll in employer-sponsored insurance, and demographics regarding who does or does not enroll in available employer-sponsored insurance.

- Types of insurance provided by employers (e.g., benefits, cost sharing).

- Premiums charged and employer and employee contributions.

- Eligibility requirements for public programs such as Medicaid and CHIP.

- Number of members enrolled in the Medicaid and CHIP programs including demographics, and demographics regarding how enrollees differ from their eligible but not enrolled counterparts.

- How premiums compare across public and private programs for similarly situated individuals.

- Existence of, operation of and membership in high risk pools.

Obtaining Health Insurance

- Geographical/regional variations in coverage rate.

- Number of health insurance carriers operating in the market, by region.

- Role of insurance brokers, intermediaries, carriers and third party administrators.

- Method of enrolling the uninsured in Medicaid/CHIP.

Uninsured Estimates

- Number of Arizonans who are eligible for Medicaid at the current FPL, but not enrolled.

- Number of uninsured Arizonans who will be eligible at the expanded 133% FPL.

- Number of uninsured Arizonans who are employed and whether they are offered employer-sponsored insurance. If they are offered employer sponsored insurance and decline, why do they decline?

- Number of uninsured who delay health care treatment because of concerns about costs.

- Demographic profile of the uninsured (i.e. age, gender, marital status, race/ethnicity, employment and income status, health status and geographic/regional variations in the distribution of the uninsured).

Other Considerations

- Number of people with limited coverage insufficient to meet their needs (underinsured).

- Number of people who move across state lines, including their coverage status. This is a particular issue in Arizona, which is a border state that has residents that include retirees from cold weather climates who winter in Arizona, university students and tribal members.

- Number of people who move in and out of health coverage (public, private, none), including identifying "churn" within the Medicaid program and how many of those individuals who churn out of Medicaid will be eligible for premium tax credits.

- Number of Arizonans who will be eligible for public subsidies up to 400% FPL, stratified by current insurance status.

- Evaluation of current resources to assist in defining the roles and responsibilities of the Exchange.

- Resources needed to establish and operate an Exchange.

- Differences between the populations with and without coverage (e.g., an analysis of why individuals with seemingly similar demographics differ in coverage choices – that is, why do some individuals take up coverage and others do not).

Data sets will likely include existing data sources such as the Current Population Survey, the Medical Expenditure Panel Survey, state Department of Insurance (DOI) data, state Department of Commerce data, state Department of Revenue data, and data from the state's Medicaid program. Additional research, including potentially new survey data, will be undertaken to fill in identified gaps. Arizona will also engage consultants for economic and actuarial modeling as necessary to help contribute information necessary to make policy decisions such as those related to market definition and exchange financial modeling.

2.   Stakeholder Involvement

Recruitment of Stakeholder Involvement

Arizona will develop a collaborative process with a broad range of stakeholders to develop recommendations for the design, implementation and evaluation of the Exchange. The State has extensive experience with stakeholder engagement, especially regarding health care policy and decision-making. Both the Medicaid program (known as the Arizona Health Care Cost Containment System, or AHCCCS) and DOI regularly engage health care stakeholders when formulating policy. Arizona has also recently successfully conducted stakeholder and public engagement on our efforts to facilitate the electronic exchange of health information.

The Governor's Office, and later the Exchange itself, will conduct an open and transparent process regarding the development of the various components of the Exchange. For the various components of the Exchange, relevant stakeholders will be identified and engaged. The process will also include public engagement both through public meetings and the use of websites and related media.

Stakeholder representatives may include but are not limited to: state legislators, state agencies, representatives from the hospital and medical industry, commercial insurers, business (including small business) and employer groups, Medicaid managed care organizations, advocacy organizations and foundations with a focus on health care issues, American Indian tribes and organizations representing Arizona's tribes, and consumer/public representatives.

Under the leadership of the Governor's Office, stakeholders will be recruited and convened for an opening discussion of the Exchange planning process. At that time, stakeholder representatives may also establish the various roles of each representative and determine the extent of their involvement in the development of the Exchange, as well as whether their role would include raising public awareness about the Exchange and what special considerations should be given for specific populations (e.g., those with disabilities, the elderly, American Indians, and those who live in rural communities). AHCCCS will include regular updates on the Exchange with the State Medicaid Advisory Committee, its contracted health plans and American Indian partners through the tribal consultation process. DOI can also provide information about the exchange to consumers and producers.

Public Awareness

Stakeholders will establish a process for the State to develop a comprehensive educational plan to raise awareness about the availability and features of the Exchange, including the

responsibility to obtain and maintain health coverage. Various options can be considered to develop a broad public information campaign as well as a targeted marketing strategy to create awareness about the Exchange. Different options may include: utilizing and training community and advocacy organizations, hospitals, community health centers, and minority health groups about the functions of the Exchange; hosting statewide community information forums; and partnering with various community based organizations, agencies and political subdivisions. Stakeholders will also consider if and how informational material should be distributed such as through the media, public service announcements, and pro bono private sector advertisements, as well as through community entities. Another option for consideration is to review the feasibility of an interim web portal or referral hotline where Arizonans can receive updates and information about the progress of the planning and development of the Exchange, submit comments and access web links to other agency websites.

List of Potential Stakeholder Representatives

Below is a list of potential stakeholder representatives. This list is not comprehensive and still under development, but provides a wide range of potential stakeholders from whom some input regarding planning for the Exchange may be sought. Additional stakeholders will be identified as part of the planning process:

- American Indian Tribes
- Arizona Association of Community Health Centers
- Arizona Department of Economic Security
- Arizona Department of Insurance
- Arizona Hospital and Health Care Association
- Arizona Department of Health Services

- Arizona Health Care Cost Containment System (AHCCCS)

- AHCCCS Contracted Health Plans

- Big Brothers/Big Sisters

- Behavioral Health Representatives

- Business Organizations (e.g., Chambers of Commerce)

- Children's Organizations (e.g., Children's Action Alliance, Arizona Children's Association)

- Commercial Insurance Industry

- Community Action Programs

- Community Family Services Agencies

- County Health Departments

- Developmental Disabilities Representatives

- Education Organizations/Entities (e.g., school representatives, Head Start programs, preschools, special education programs, teacher representatives)

- Employers

- Faith based organizations

- Health care advocacy groups (e.g., March of Dimes)

- Immunization Programs/Sites

- Indian Health Services

- Inter-tribal Council of Arizona

- Professional associations or organizations (e.g., medical, osteopathic, dental, Academy of Pediatrics, etc.)

- Small Businesses

- Social Security Administration

- Social Services Organizations (e.g., Food Banks, Homeless Shelters, Subsidized Housing Agencies)

- YMCA/YWCA.

3.   Program Integration

Arizona will evaluate existing programs to determine the extent to which the current infrastructure can be leveraged and utilized by the Exchange. Existing State and Federal programs, such as Medicaid and CHIP, will serve as a starting point for planners in determining the resources that may be made available to create and implement the Exchange.

At a minimum, the evaluation process is expected to include:

- A review of the Medicaid and CHIP program (AHCCCS and KidsCare, respectively) and its services to establish whether there are aspects of those programs that can be leveraged for use in the Exchange, particularly in the area of eligibility and enrollment.

- An assessment of all other State programs, particularly those in the areas of health care, to determine whether those programs contain any resources or personnel with special skill sets that the Exchange can build upon. Some of these programs may include programs within the Arizona Department of Economic Security (DES), Arizona Department of Health Services (DHS), DOI, the Arizona Department of Revenue, and Healthcare Group of Arizona (a state-run, community rated insurance product for small business) as well as other programs.

- An analysis of the current insurance market regulation and other activities conducted by DOI, including consumer assistance programs.

This planning process will be designed to answer a number of critical questions and, ultimately, determine the resources that can be maximized and enhanced for integration within the Exchange to create a solid foundation. Thus, the planning process should include questions such as:

- Whether the current automated eligibility system within the Medicaid program can be enhanced to meet the needs of the Exchange?

  → If so, what kinds of upgrades might be required?

- Is it more efficient to pursue enhancements to the Medicaid eligibility system or create a new system?

- What other state programs or what aspects of other state programs could be integrated into the Exchange?

- How can DOI regulation be leveraged to fulfill necessary regulatory requirements for the Exchange? Are there areas of expertise that can be leveraged rather than duplicated?

- What, if any, changes should be made to Healthcare Group of Arizona? Should those members be incorporated into the Exchange? Are there aspects of that program that could be integrated into the Exchange?

- Should the State consider transitioning state employee health insurance coverage to the Exchange?

4. Resources and Capabilities

Arizona's existing pool of resources and capabilities will serve as primary determinants of the Exchange model the State selects. As a result, it is necessary to thoroughly evaluate potential opportunities to leverage and build on the current infrastructure for the purpose of supporting a sustainable Exchange. Arizona has a strong competitive health care marketplace, and has demonstrated successful public/private partnerships in the delivery of health care services. The State will focus on how to maintain its existing private market and leverage its expertise when developing an Exchange.

At a minimum, the evaluation process is expected to include:

- Formation of a committee representing key organizations with the potential to provide a substantial contribution to the Exchange (e.g., Governor's Office, DOI, AHCCCS).

- A detailed description and review of Exchange requirements.

- Identification of existing organizational resources and capabilities potentially valuable to an Exchange.

- Classification of all identified resources and capabilities (tangible, intangible, and human) and assessment of their strategic value.

- Gap analyses to determine what resources, required by a State Exchange, do not currently exist in key organizations.

- Publication of a final document that offers (1) a comprehensive description of existing resources and capabilities with the potential to support Exchange requirements; (2) considerations as to how the resources and capabilities can be exploited or expanded to support an Exchange, and (3) an assessment of current gaps that must be filled by outside resources.

- Recommendations for an Exchange structure that provides the most efficient and effective use of existing resources.

This evaluation process is designed to answer a number of critical questions and, ultimately, lend support to business plan development. Questions include, but are not limited to:

- What resources and capabilities are critical to creating a sustainable exchange?

- Which of these critical resources and capabilities currently exist within State agencies and organizations?

- Which of the existing critical resources and capabilities require enhancements?

- What enhancements are required?

- What are the current gaps in resources and capabilities?

- How can these gaps be filled?

- What communication needs are created by pooling resources and capabilities that exist in multiple entities?

It is clear that the Governor's Office, AHCCCS and DOI all have existing expertise that can be utilized to develop the framework for the Exchange. However, like in most states, no state agencies have unallocated resources that can be devoted exclusively to the project. It is likely that much of the initial analysis for the planning process will be provided through professional support. Numerous consulting firms are already on state contract and can be leveraged to provide this initial support. As a plan emerges, and a financial model is developed, the State will develop internal capacity for the Exchange by hiring staff dedicated to the Exchange. Arizona will also evaluate how existing Exchanges (e.g., Utah and Massachusetts) incorporated private contractors to provide support to the Exchange).

5. Governance

Establishing the roadmap for the governance of an Exchange will require comprehensive research and stakeholder input. The first question that must be addressed in the planning efforts will be whether Arizona will elect to operate a state-run Exchange or an Exchange run by an independent entity (i.e., a nonprofit organization). If the State elects to operate a state-run Exchange, the next step would be to determine where the Exchange would reside – within an existing state agency or a newly created state agency. If a new state agency is created, what would the governing structure be and to whom would the agency director be accountable? It

may be useful also to research how the governing structure has been developed in other jurisdictions and under different policy models.

In conducting this research the following questions will be considered:

- Which stakeholders and policy experts shall be included in the planning process?

- What is the timeline for the development of the governance of the Exchange?

- What policy questions will need to be answered in relation to governance during the planning process?

- What responsibilities and goals will the governing body have? Will it serve more of an advisory role or as an oversight body?

- How will the governing body be selected?

- To whom shall the governing body be accountable?

- Will the governing body need to be confirmed by the state legislature?

- What resources shall be made available for the development of governance regulations for the Exchange?

Final policy recommendations will be submitted to the Governor for consideration. The Governor will then consider the policy recommendation, request revisions and, as necessary, request additional public comment and stakeholder input.

6.   Finance

The State will first need to establish parameters for reporting and establishing transparency to the public for monitoring use of grant funds for the phase I planning grant. Making all reporting documents available to the public via a web portal and sharing reporting and monitoring information to stakeholders may be considered.

Given the comprehensive and complex nature of financial management in the health care insurance industry (e.g., specialized accounting, auditing, and regulatory reporting), planning for the finance element of the Exchange itself will logically come after the specific Exchange model is determined. At a minimum, the planning process for finance for the Exchange is expected to include:

- Formation of a specialized group that includes expert representation from the Exchange administrator, the commercial insurance industry, AHCCCS, and DOI.

- Clearly identify critical considerations including, but not limited to:

  → Accounting and auditing standards

  → Methods for ensuring transparency to the public

  → Reporting requirements

  → Administration of premium tax credits and subsidies

  → General business functions (accounts payable and receivable, financial management)

  → Interaction between the public and private financing sources for the Exchange

7. **Technical Infrastructure**

The planning process must include a discussion about the technical infrastructure needed for the Exchange. Clearly, the requirements for the Exchange rely heavily on information technology systems. The planning process will need to determine what types of information technology will be needed by the Exchange and evaluate existing systems currently available to the State, as well as what new systems may need to be created.

Planning related to the technical infrastructure of the Exchange will, at a minimum, have to include consideration of the following:

- What is the best mechanism for creating a web portal?

→ Is there a web portal currently being used by the State that the Exchange can build upon, or does the State have to create a new solution?

→ Are there other resources – either web portals in use in Arizona or in other states – that can be customized and developed more cost effectively than building a completely unique solution?

→ Are there existing state contracts that can be leveraged to achieve this work, or will construction or enhancement of a web portal need to go through a competitive process?

→ How will consumers access the web portal?

→ What, if any, additional consideration should be given to special populations, such as the elderly, tribal and rural communities or individuals with disabilities?

- How can existing Medicaid eligibility systems be leveraged, and what issues surround their potential adoption/use?

→ Since AHCCCS already has an existing, sophisticated public access web-based enrollment product, can that system be enhanced for use within the Exchange? If so, what modifications are necessary?

- Are there populations for whom a web portal will be inaccessible, and how should the needs of those populations be addressed (e.g., a call center)? What are the technical infrastructure needs of the Exchange in creating those alternative access points?

- How will the Exchange systems achieve interoperability with Health Information Exchange standards? What considerations need to be made regarding communications with the provider community?

8. **Business Operations**

Planning for business operations will depend, in large part, on the model of Exchange proposed as well as the availability and location of existing resources and capabilities. At a minimum, the business operations planning process is expected to include:

- Formation of a planning team that includes participation on behalf of all organizations expected to contribute to Exchange operations.

- Identification of all operational activities necessary to fulfill the objective of an Exchange as established in the PPACA ("…to extend coverage to more residents and create transparency in the health insurance marketplace such that competition is based on price and quality").

- Crosswalk operational activities with Exchange requirements to ensure all necessary elements are included.

- Based on identified resources and capabilities, establish where major operational activities will reside (e.g., eligibility and customer service operations may reside with AHCCCS, certification operations and regulatory oversight may reside with DOI).

- For each major operation, develop a comprehensive analysis that includes, but is not limited to issues related to basic location, logistics, staffing, costs, start-up or expansion needs, communication linkages, quality assurance, program integrity, and expected challenges and barriers.

- Analyze potential long-term funding sources that will allow the Exchange to be self-sustaining, including estimates of enrollment through the Exchange.

- Identify potential risk factors that may affect the Exchange's funding and operations.

- Publish a Business Operations Plan that compiles individual analyses and demonstrates the strategies for coordinating efforts.

9.   **Regulatory or Policy Actions**

The planning process for the Exchange will need to include a review of state law and regulation to determine what changes are necessary to initiate implementation. Based on this analysis, it may also be necessary to review the policy changes that have taken place during the planning process for health insurance exchanges in other states and jurisdictions. The following policy questions should be considered in conjunction with this analysis:

- What policy changes are necessary to initiate implementation of a health insurance exchange?

- Do these changes require legislation or a regulatory change?

- What stakeholders will be impacted by the implementation of the proposed policy changes?

- What support or opposition will arise in response to the proposed policy changes?

- What strategies shall be employed to address the concerns of the opposition?

Final policy changes will be submitted for the Governor's consideration and review. The Governor will have the opportunity to request revisions and, as necessary, request additional public comment and stakeholder input.

Once the policy changes have been finalized, they will be made publicly available. All policy changes that require regulatory action will be initiated in accordance with the Arizona Administrative Procedure Act – Arizona Revised Statute Title 41, Chapter 6. Through collaboration between the Governor and legislative leaders, all policy changes requiring legislative action will be drafted and introduced in the State Legislature. Throughout the legislative process, there will be additional opportunity for public comment and revision by way of potential stakeholder meetings and mandated public hearings.