

**NWX-DHHS-OS**

**Moderator: William Polk  
February 3, 2011  
1:00 pm CT**

Coordinator: At this time all participants are in a listen only mode. If you've muted your own line, please unmute your phones because your lines are automatically muted when you joined today's call.

After the presentation, we will conduct a question and answer session. To ask a question, please press star 1. And today's conference is being recorded. If you have any objections you may disconnect at this time. And now I'd like to turn the meeting over to (Susan Lumsden). Ma'am you may begin.

(Susan Lumsden): Thank you (Tim) very much. I'd like to just say welcome to everybody. Good afternoon to those of you on the East Coast and good morning to those on the West Coast. And we hope that some of the folks from the Midwest are actually able to join us today. But it will be recorded. So we wish them all safety during this time.

At this point I would like to turn it over to our Director, Joel Ario, who is the Director of our Exchange Group. Joel?

Joe Ario: Thanks (Susan) and welcome to everybody and thanks for participating today. In a minute I'm going to describe the new opportunity we have through the establishment grant.

But just to give a little bit of context here, we were very pleased in the fall when we had the first round of exchange grants, the planning grants. And virtually every state applied and was awarded up to \$1 million for planning the exchange.

States continue to be at different levels of development but many states have used those planning grants to make quite big strides for planning for the exchanges that will be the marketplace of 2014. I, for one, continue to be very excited about the prospects of this.

I was on a panel this morning talking about the exchanges in terms of how they will work for individuals and small businesses. Basically bringing them the same kind of range of choices and opportunities to compare and contrast different choices that people get today if you're members of a large pool, like a large employer pool, or a government pool, or one large employer.

You have the ability to look at a booklet and go on a webpage and compare and contrast, describing all of that to folks this morning and then also the particular form. Today I was with New York and Oklahoma and some other professional advocates around the issue of how this interfaces with Medicaid.

So that now we no longer have a system in which some people get Medicaid eligibility. But if they don't fit into one of the particular complicated categories Medicaid operates under today they might not have a program. Very few states have good programs for people just above that Medicaid level.

So the integration of Medicaid now being done at 133% of poverty plus the exchange above that, the sort of state opportunities for seamless, coordinated care across that spectrum, all of those were issues that were, I think, found that interesting for us to talk about this morning.

And they all are part of the vision of what these exchanges will get for all of us in 2014. So with that kind of context, what we're now seeing, we announced January 20, and what we're talking about in more detail today is the next round of grants, establishment grants which are moving from planning to implementation.

And we have basically two different approaches here recognizing that states are again in different stages of development, different places in terms of moving towards these exchanges.

The first type of opportunity is for the states that are furthest along where they're ready to basically look at a plan from now until 2014. And there's, as I think people know under the law, the funding through the federal government is for all necessary expenses to standup those state based exchanges as long it's meeting the Secretary's benchmarks all the way through the first year of operation.

So states that meet the standards for multi year funding will be able to get that funding this year. There will be check-in points along the way but basically have multi year funding through 2014. But those benchmarks are pretty stringent.

And the legal authority needs to be there. There has to be a governance structure in place, and a full budget through 2014, a robust consumer assistance program. Those core building blocks will get you into that multi year funding stream.

But most states, that's probably going to be a reach at this point maybe even through this year. But that's why we have the second approach in this announcement which is that you can take smaller bites.

In fact you can take very small bites if that's your preference as a state. You can apply on a quarterly basis as the first application is due in March. And then there are 11 different areas that we have of activity under the exchanges to build a full exchange.

You can take one of those one, two of them, six of them, ten of them. And the kind of budget that you have proposed should be commensurate with the ambition of your proposal. We will scrub that budget carefully.

But if it's again, necessary expenses to build one or more of those components, those will be awarded under that second approach. And that would be one year funding. And again, you can come back and build more there.

So in the end what you have here is an approach that does allow states that are moving forward and they're in a good place to move all the way straight through 2014 to get that multi year funding. But also allow states at lesser levels of development to have a very flexible set of opportunities to move forward.

So this is going to go into a lot more detail on that in just a minute. But one of the things I want to say is I know that the decision in Florida this week has gotten a lot of attention. People say well what does this mean for your program?

It doesn't mean anything for us at this point. The lawyers are looking at it, working it out, all sides have got issues. It may be some thing at some point from the lawyers in the future or from the courts. But right now for us, it's business as usual, full speed ahead.

And, you know, people may say, well how can we kind of plan when there's some uncertainty? Maybe there's a little more uncertainty here than is typical. But for anybody that's been around the block very long, you know that there's never certainty about a particular law staying in place exactly the way it is.

The legislature, and the congress, the courts are always involved in different aspects of those things. And probably the only safe bet on any given law is that it's likely to change over time. So from our perspective the best thing that everybody can do is put as many of the building blocks for their exchanges in place now as possible.

Because the one thing you know for sure is that everything that's been accomplished is not going to be undone. So that would be, you know, kind of the general response we have. And that other than that, you know, the details of how this works out is really in the lawyers' hands.

So with that, I'll turn it back to Susan.

(Susan Lumsden): Thank you Joel very much. So the way that we're going to approach the pre application call today for this funding announcement and it is the cooperative agreement to support establishment of the state operated health insurance exchanges is I'm going to do just a brief overview about the approach that we use.

And go into a little more depth than what Joel just described. And then I'm going to turn it over to my colleague (Katherine Bryant) who was the lead in developing this funding opportunity announcement. And she's going to be going over the dates and specifically the eligibility criteria for both Level 1 and Level 2.

And then our other colleague, (Donna Laverdiere) will go over the program expectations. In this case, in this funding opportunity, the appendices in the funding opportunity announcement are extremely important for you all to review thoroughly. I'm sure many of you have already.

But (Donna) is going to be going over the core areas that we always talk about and a little bit of an overview of some milestones. We're not going to go into detail on those today. We think that would be a little bit information over-load. So we'll do that in another call.

And then I'm going to briefly go over some key pages in the funding opportunity announcement specifically the program narrative. So (Katherine) and I will review Level 1 and Level 2 in terms of the program narrative, what you are to respond to.

I'll talk a little bit about the review criteria. And I want to spend some time on the budget section. And there is a part in the appendices that talks about how you should prepare your budget.

And Rick Friedman, we're very fortunate, Rick Friedman is here from CMS. And he's going to be talking about a little bit about the cost allocation.

And then our Grant Management Specialist, (Vivian Smith) will be talking about the grants aspects of this. And then we'll open it up to questions.

So with that, I'll begin with the approach that we used in developing this funding opportunity announcement.

First we think this is just a tremendous opportunity for states to really make an impact on citizens in their state and uninsured or under insured in their state. So

we really hope you take this as an opportunity to look through the funding announcement and see what difference you can make in your state.

In terms of the approach, I'll just echo a little bit about what Joel said. What we've heard from you is a few key things. Number one, gives us flexibility in the approach. And number two, we certainly recognize and appreciate that states are at varying degrees of readiness in the different core areas and also in their commitment.

So you will notice that we've from the get-go, have been really approaching this from an incremental phased in approach. And like Joel said, in September we did provide planning grants which most of you have that you're continuing to do a lot of planning activities in those core areas.

And project officers through their conversations with you have been extremely impressed with the work that you've done. Conversations they've had, you all are saying I can't believe what we have to talk about from the last month that we talked to you. So we have to say there's a lot of exciting work going on there.

And we just, as you know, and I guess in October, we announced the funding opportunity for the early innovator grants. And hope to award those soon for the IT aspects. And we hope that, what we want to accomplish in those early innovator grants are a select number of states who are what we call pace car states.

We're going to be developing universal components that the rest of the states in terms of information systems can adopt and adapt to their own state environment. We know that's the most expensive aspect of the exchange and the most complicated.

And now of course we're offering the exchange establishment grants. And again, like Joel said, we are looking at two levels and kind of responding to what we've heard from you all as some of us are ready to go and have moved so along, we're ready to go and do that three year commitment.

Others need to take more bite-sized pieces. So for Level 1 that is the bite-sized piece. And as Joel mentioned, those are more building blocks for the exchange. So those states who want to continue to take those bite-sized pieces be it one area or two, states may decide that they really need to get their IT infrastructure in place as a priority.

And that's what they're going to focus on Level 1. And maybe also along with that, the necessary program integration between the exchange and Medicaid. And of course, most of you have made tremendous progress on stakeholder consultation but also continuing that.

And those grants, Level 1, are one year so up to one year project period. Those offer you some flexibility. So those are just examples of activities. And again, I would advise you to go back to the appendices and milestones and take a look at those. And (Donna) is going to be talking more about those milestones and what are bolded areas and what are not.

The second level that (Katherine) will go over in terms of eligibility is more of a full scale approach. And where states would really tackle, begin to make strong implementation strides and establishment in all 11 core areas.

The big difference between Level 1 and Level 2 is the extent of progress that you've made in the planning and also the eligibility criteria that (Kat) will be talking about soon.



So with that, I think I'll turn it over to (Katherine Bryant) who will go over the other thing that we heard from you is we may not be ready now. But we may be ready in three months or six months. So (Katherine) will describe, we've offered you several dates. This is kind of a rolling application if you will. And we've offered several dates for states to come in and apply.

And we'll make awards approximately 45 days after each of those due dates. So we want to work with you in the timing of when you might be ready. So (Kat) would you like to go over the dates and the eligibility criteria.

(Katherine Bryant): Great. Thank you (Susan). First, I'm going to talk about the eligibility requirements for both Level 1 and Level 2 and then go through some key dates.

So Level 1 establishment, that's open to states that received exchange planning grants. As (Susan) mentioned our early innovator grant that we have going on, those states are also eligible to apply for Level 1.

And the Level 1 cooperative agreements provide up to one year funding to states that have made some progress under their exchange planning grant but are not yet able to meet the eligibility requirements of Level 2.

So for Level 2, it's also open to states that received funding under the exchange planning grant as well as early innovator states. So Level 2 established the more - are going to provide funding through December 31 of 2014.

And this category is designed for funding to applicants that are further along in the establishment exchange and can demonstrate achievement in the following specific eligibility criteria. One, they need to have the necessary legal authority to establish and operate an exchange that complies with federal requirements available at the time of the application.

Two, they need to have established a governance structure for the exchange.

Three, submit a complete a budget through 2014 as well as submit an initial plan discussing financial sustainability by 2015. And a plan outlining steps to prevent fraud, waste, and abuse.

And finally, fourth, a plan to describe how capacity for providing assistance to individuals and small businesses in the state will be created, continued and/or expanded including provision for a call center.

To be clear, Level 1 establishment grantees are eligible to apply for Level 2 establishment after they've made sufficient progress in Level 1 and can meet the Level 2 eligibility criteria. And just again, this is in Section 3 of the funding opportunity announcement. So I encourage you to look back at that if you need a refresher on these criteria.

So with that, we'll touch on the dates. There are four different application due dates for Level 1. There's one per quarter throughout 2011 and the final due date is December 30, 2011.

There are six application due dates for Level 2. And the final one is June 29, 2012. You'll notice that we have currently scheduled three application calls prior to the first application due date which is March 30 of 2012. And then we have one per quarter for each of the remaining application due dates.

And also right now we have received requests to discuss the milestones in a bit more detail. And we are trying to arrange a call focused specifically on this. And with that, I will turn this over to (Donna) to talk about the program expectations and a little bit about the appendices.

(Donna Laverdiere): Okay thanks (Kat). I'm going to take some time and talk a little bit about the program requirements that are in the FOA. And the program requirements begin on Page 7 of the FOA.

As has been mentioned previously on the call, the funding opportunity is designed to encourage a step-by-step approach to exchange establishment. You know, we've tried to recognize that states are in different places in implementation of their exchanges and we want to meet your needs in that way.

And we've tried to design the program requirements to also fulfill that expectation. And we really want you to know that we're going to work with each of you to help you be successful.

So turning to the FOA on Page 7, I just wanted to highlight that we've included here the key priorities and principles of exchanges that were also provided in our initial guidance on state exchanges that we released in the fall. And this is available on the CSOA website. And I would encourage you to look at the link on Page 7 of the FOA and go and read that initial guidance.

And we want you to know that state exchanges should strive to address these key principles in establishing their exchanges. And now we know there are many types of work and activities that states need to do. That need to come together to establish an exchange.

And in order to organize these activities, we have kind of divided them into 11 core areas as Joel was discussing earlier on the call. These core areas build on and expand the core areas that were under the planning grants.

And these core areas include background research, stakeholder consultation, legislative and regulatory action, governance, program integration, exchange IT

systems, financial management, oversight and program integrity, health insurance market reforms, providing assistance to individuals and small businesses, coverage appeals and complaints.

And then the big category of business operations of the exchange which includes all of the core functions of the exchange.

(Susan Lumsden): And (Donna) if I could just interrupt for a second. I just want to add a little bit of context. A lot of times when people see those 11 core functions, it's like a big laundry list.

But if you kind of think about in three like buckets or a house, if you look at the building blocks to really get going, first, you know, involving doing stakeholder consultation and then getting your legal authority. And then setting up your governance and then getting your business plan in order.

And then if you think about others in terms of the foundation to those building blocks to really make it work that would be a good strong IT infrastructure, the research and analysis to understand really what difference you are going to make.

The insurance reform is part of that foundation and strong integration of the program and certainly involving consumers in that. And then if you think about the structure of all that or the roof, if you will, that's where the oversight, and the accountability, and financial management really come into play.

So if you kind of picture it as a house with foundation, and building blocks, and a roof and that may be another way of thinking about it.

(Donna Laverdiere): Thanks (Susan). As (Susan) also mentioned the appendices and the FOA provide a wealth of information. We've tried to give you a lot of guidance and information to help you as you're developing your application.

Page 45 of the FOA includes Appendix A where we've provide a brief description of each of the 11 core areas. We hope that this helps provide some background information about the different things the exchanges will need to be doing.

Going back to the FOA on Page 9, we describe through which grantees will be asked to show progress in implementing their exchanges. States are going to need to meet some key dates in order for their exchanges to be successful.

For example, exchanges will need to be operating for consumers on January 1, 2014 which means that when they'll begin providing health insurance coverage to consumers. In order to provide coverage on this date, exchanges will need to be certified by the Secretary to operate an exchange no later than January 1, 2013.

Also exchange will need to begin certifying qualified health plans in early 2013 which necessitates a system before issuer certification needs to be built and tested in 2012. So Page 54 of the FOA provides a work plan framework that we put together for you to help you to start to understand all of these critical dates that you'll need to be meeting in implementation of your exchanges.

We hope that will help you to meet these critical dates. We have provided a series of milestones under all the core areas of the exchange. And each applicant is going to need to submit a work plan with their application.

So we provided this as a way for to help you develop your work plans. And these work plans are going to be used to track grantee progress throughout the program. You're going to be asked to update them on a regular basis. And your project

officers will be using them in guiding you through the implementation of your exchange.

We're going to be issuing updates to this milestones framework. You know, we're still working through the details of the program. We're going to be developing future guidance and proposed regulations. So we're going to be needing to provide you with updates on a regular basis.

In Appendix B I wanted to highlight that the items in bold with asterisks must be included in your work plan. There are lots of other items in there that we sort of provided as examples for you. But we do want to stress that we think all of the activities in the work plan are critical things that you should be considering as you're developing your own work plan.

But we do expect your work plan will probably be more robust than what we provided in the framework. And we encourage you to expand upon what is there. And to customize your work plan to meet your needs.

We're going to be having another call in a few weeks to provide more information on all of these activities. We want to be able to do a deep dive for you to provide a lot more guidance and substantive information on all of these activities.

So we will be putting that together in the next few weeks. And we'll ask you to submit your questions in advance so that we can make sure we're answering all of your questions on that call.

Finally, as we noted in the state grantee meeting in December, we're planning to publish a notice of proposed rulemaking and solicit public comment in the late spring. We'll also publish a second notice of proposed rulemaking in the fall that will include essential health benefits.

And after we issue each of these NPRMs, we're going to schedule calls with state grantees to discuss each of the rules and to address your questions. And now I'll turn it back over to (Susan).

(Susan Lumsden): Thank you (Donna) very much. It may come up as a question but you may ask why are some bold and some are not. What is the rationale behind those bolds. The bolds really are essential. And most of them have to do with IT. That if they're done, the exchange from an almost architectural standpoint wouldn't be able to be launched.

So that's the kind of the rationale of those bolded items. And I'll turn it over to (Katherine) who's going to be talking about the Level 1 project narrative which is starting on page just about 19.

(Katherine Bryant): Great, thank you (Susan). Yes, Page 19. So there are four different parts of the project narrative. And these are each laid out in the FOA. For Level 1, first you have the demonstration of past progress in the exchange planning core areas.

And in this section, applicants should describe the progress the state has made in exchange planning activities. And then the second thing that we have are the proposals to meet program requirements. And this section of the project narrative, applicants should explain the approach that they propose to operate the state operated exchange.

And this section should explain how exchange establishment will progress leading to certification in 2013, operation and provision of health insurance coverage to enrollees in 2014 and finally, self-sustainability in 2015.

The third element of the project narrative is the summary of the exchange IT gap analysis. As (Susan) just mentioned, IT is a critical foundation for the exchange. And the IT gap analysis is a priority activity for the planning grant.

Therefore in the project narrative, we ask the applicant to provide a summary of their results. And also you can reference Appendix C of the funding opportunity announcement for explanation of the gap analysis that should be conducted.

So finally the fourth thing that we include in the project narrative is the evaluation plan. This is essential to measure the success of your state's project. You know, what is that you want to accomplish.

The applicant must include specific measures of how the grantee will evaluate its progress and measure success. And this includes providing baseline data for each measure.

So with that, I'm going to turn it back over to (Susan) who will talk about the Level 2 project narrative.

(Susan Lumsden): Thank you. The Level 2 project narrative starts on Page 22. And I'm not going to go through each of the areas because they're similar to Level 1. The only difference in that is the extent of progress under the demonstration of progress. We would expect states to have made a lot more progress.

The other big difference is the proposal to meet Program Requirement B if you're looking at through 2014 and your project plan is including all the core areas and through 2014. So with that, I think I'm going to just talk briefly about the review criteria.



The review criteria begins on Page 31. And I'm not going, again, go into detail. But the way that the application, the process of the applications is the applications come in. And they are looked at by program for eligibility criteria.

I do encourage you, if you think you're on the fence about eligibility criteria for Level 2, please call us. And we can walk that through.

So once your eligibility determination is made then it goes to what we call an objective review committee which is independent group of subject matter experts who will review the application, score it based on these review criteria.

And then program will look at those at their additional review. Grants also does the review. We have budget negotiations with the applicant. And then we proceed onto award.

So I'm not going through the review criteria. But do take a look on page, it starts on Page 31 of the FOA. And then the next piece I'd like to spend a little bit more time is on is the budget section.

You will notice that we did not include an amount per award in this FOA. That is because of the variance in states, the variance in the systems that they have, the variance in what they're proposing to do. So your budget is going to become extremely important in this FOA.

And so I would ask you to do a thorough review. It starts on Page 78 and it's Appendix E, the guidance for preparing your budget request and narrative. Three things I'd like to review on this area.

And then I'd like to turn it over to Rick Friedman who will talk a little bit more about the cost allocation criteria.

The first is what you'll notice is if you have multiple grants from CSOA or from other government entities that may have similar activities, we recognize that. And we will expect that the applicants are clear on how they're going to manage those multiple grants and how they will keep the activities distinct.

You may have a planning grant. You may be fortunate to have an IT early innovator grant. And then you may have this establishment grant. That's quite routine in terms of grants. But we do expect that those activities are distinct and the funding streams are distinct.

The second thing is contracts. We, like the planning grants, much of the money that you may have will be in contracts. So in line with that, we will want a line item budget. And then on Page 83, you'll have some things that you'll have to address in terms of contractual costs. It's letter H.

But we will, if you have decided on the contractor, we'll want the name of the contractor, the method of selection, the period of performance, the scope of work, the method of accountability and an itemized budget and justification.

The other piece of the budget is the cost allocation. And like much of the work that you'll be doing in the case of exchanges, the state Medicaid program is a direct beneficiary of many of the activities of the exchange. Particularly IT systems and related systems and staffing involved in determining the applicant's eligibility for Medicaid and CHIP programs.

So therefore the cost associated with these activities must be paid through a separate funding request to CMS. And Rick is just going to talk about a few of the key principles and guidance as you're thinking about cost allocation when developing your budget.

Rick Friedman: Thanks (Susan). This is Rick Friedman from CMS on the Medicaid side.

As she mentioned, it's important that one appreciate the fact because exchanges are required to determine Medicaid eligibility as well as other types of eligibility that the Medicaid program help you share and pay for the costs of certain activities.

OMB Circular A-87 basically says that the programs that benefit from a particular activity have to pay their fair share. And that's very clearly stated in the forms that you all have in front of you so some mention on Page 13 and some more details on Page 78.

In terms of the way that one might allocate costs typically states are very familiar with allocating costs for integrated eligibility systems. So if you on the phone are some of the same people, you are quite familiar with the approach that we've used for the past 25 to 30 years.

It's largely a function of the number of beneficiaries that you envision coming through the program that in our case would be Medicaid. That would be the numerator. Whatever the total is is the denominator and that winds up being the percentage.

So it's sort of two step process in which you first figure out the size of the share. It's almost as if it were a pie. And you're figuring how big or how small is the slice of the pie that has Medicaid's name on it.

Once you figure that out then you apply the appropriate federal participation rate, the matching rate that's currently at 50%. However, we do have an NPRM, a draft regulation that's been on the street.

And we have received comments. And we're hoping to get out fairly quickly with the final rule that would enable states to receive a 90% match for the development costs associated with this slice of the Medicaid out of the pie that has Medicaid's name on it.

So it's a two step process along those lines. We will have additional guidance out to states. And we work hand-in-glove with CSOA on this. So we'll continue to provide some direction, guidance. And we're more than happy to talk to anybody that's got specific issues. Thanks (Susan).

(Susan Lumsden): Thank you Rick. And I would like to emphasize again, if there's questions, we're happy to do a call with anybody.

I'd like to turn it now over to our Grants Management Specialist, (Vivian Smith) who will talk a little bit about the business side and grant (unintelligible).

(Vivian Smith): Thank you (Susan). I would like to reiterate what (Susan) said earlier about the budget and the preparation for the budget. And just to remind you that the applicants should be careful to only request funding for activities that will be funded by the exchange establishment corporate agreement.

Any other grant funding provided by HHS including exchange planning grants and other grant funds should not be supplemented by exchange establishment funding. And on your SF-424A there are cost categories listed. And we need the specifics in these categories including with the salaries.

For each requested position, we need the following information, the name of the staff member, the person occupying the positions, the salaries, percentage of the

budget, the program, the total amount of salary budget, and the total salaries requested.

We also need you to provide a justification and describe the scope of responsibility for each position relating to the accomplishment of the program objectives. The next category (Susan) spoke a little about which is very, very important to this grant is the consultant costs.

This category is appropriate when hiring an individual to give professional advice or services. Examples are training or expert consultants for a fee but not as an employee of the grantee organization. And listed within the FOA are the requirements that will be needed to justify the consultants' costs.

And in the equipment costs, we need you to provide justification for each item related to the specific program objective. Also included with the supplies, we need each item cost, we need that listed. Show the unit cost of each item, the number needed and total amount.

Examples for there would be a Xerox, a copy. We need the cost for it and how many you needed and why you need it; justify that. Travel, another important item on the cost category -- dollars requested and the travel category should be for staff travel only.

Travel for consultants should be shown in the consultant category. Travel for other participants, advisory committees, review panels should be itemized in the other category. In-state travel, we need to provide a narrative justification describing the travel staff members who will be traveling.

The out-of-state travel, we also need a narrative justification describing the same information requested. Include the meetings, the conference, the workshop

itemized out-of-state description. And most importantly or another important item on the budget is the contractual costs.

(Susan) did describe that earlier and on the FOA on Page 82, it lists the requirements for the contract costs. I can't put enough emphasis on the contract, the consultants, and the travel. We need this information in specific detail.

And also it's the consultant costs. We do need that information. And this was already one set. So please take all of this into consideration. If you're uncertain, it's all listed in the FOA, the breakdown of the information is needed.

The Grants Management office do review these budgets in detail. And we will request that information. Thank you and I'll turn it over to (Susan).

(Susan Lumsden): Thank you (Vivian). With that, I'd like to just wrap up and I'll turn it over to (Katherine Bryant) who will go over a few of the questions that we've already gotten in.

But I'd just to like to close before she does that by saying again, this is a great opportunity. It's an exciting time. And we - it is structured as a cooperative agreement. So as the environment changes, we'll both be working together very closely. And we look forward to that. (Katherine)?

(Katherine Bryant): Thank you (Susan). So one of the questions that we've received quite often is whether or not applicants have to submit a letter of intent. And who should submit the letter and if other letters are required.

Prior to the application due date, the applicant may choose to submit a letter of intent. It is not a requirement. If they choose to do so, the letter of intent should be

submitted by February 22 of 2011. And the authorized organization representative should submit this letter.

When a state applies, a letter endorsing the application must be submitted by the governor. This is a letter of support and is to be included in the application packet. There are also letters from the Insurance Commissioner and the Medicaid Director as well.

And there's more information on these in the Section 3 eligibility information of the funding opportunity announcement as to the content of these letters.

The second question that we got in is how does the state show that it meets the eligibility criteria in Level 2 for having the necessary legal authority to establish and operate an exchange that complies with federal requirements available at the time of the application?

Whether a state has the necessary legal authority to establish an exchange is a question of state law. To demonstrate the state has legal authority to establish and operate an exchange that complies with federal requirements in place at the time of application, the state should submit one or more of the following.

First a copy of current law and/or current regulations that clearly indicate that the state has the necessary legal authority to establish an exchange or that clearly establishes the exchange or some other legislation related to health reform implementation.

Or another general authority such as an Executive Order that state determines provides the necessary legal authority to establish the exchange and a written legal opinion correspondence or a formal legal opinion from the legal counsel of the

office of the applicant or the state's attorney general's office certifying that the state is authorized to establish an exchange under state law.

With this just please note that the proposed or pending legislation will not be sufficient to establish that a state has the necessary authority to establish an exchange.

To the extent that any law or any regulation is not clear on its face that either an exchange has been established or the states or an identified agency or official has the authority to establish an exchange consistent with the requirements of the Affordable Care Act, the written legal opinion described previously should be provided.

To accommodate the states that are at different points in the process of establishing exchange, this definitely provides for multiple application deadlines for Level 2 funding beginning with the first on March 30 of this year and with the last one on January 29 of 2012.

And as I mentioned, you know, you can follow up with us if you have more questions on this particular requirement.

A third question that we've gotten is is HHS willing to accept a state's definition of quasi governmental entity as the definition may vary from state to state. For purposes of determining whether an applicant is a governmental entity or a quasi governmental entity, HHS will look to whether the entity has been created or established by the state through legislation or some other law.

Whether or not it has state oversight, i.e., the governing body is established, appointed and overseen by the state. And the entity is subject to specific



limitations on its authority to act established by the state. And also is designated by the state as the governance structure for the exchange.

Finally a fourth question is, you know, what if something happens such as the NPRM release that (Donna) mentioned that affects our work plan and results in that it needs to be changed?

And as is our cooperative agreement, one (unintelligible) events, you know, grantees are going to be able to update their work plans. And with that I'll turn it back over to (Susan).

(Susan Lumsden): (Tim) I think we're ready to take questions.

Coordinator: All right and if you would like to ask a question, please press star 1. You will be prompted to record your name. Please state your name slowly and clearly.

Once again, it's star 1 to ask a question; one moment please. We do have some questions coming in; one moment please.

Our first question comes from (Gene Holiday). I'll open your line now.

(Julia Largent): Yes this is (Julia Largent) in North Carolina. We have a question, if we take the piecemeal approach under the Level 1 establishment grant, do we still need to provide a work plan that addresses all of the components?

Or would it just be the components that we're focusing on?

Woman: Just the components that you're focusing on.

(Julia Largent): All right, thank you.

Coordinator: (Seema Verma), I'll open your line.

(Seema Verma): Yes, I have a question about I think it's on Page 11. And it says that a quasi governmental entity or a governmental agency can be the recipient of the grant funds. But then it also says that a not-for-profit organization cannot.

So if the exchange is supposed to be a not-for-profit does that mean that not-for-profits can't accept the grant funds?

Woman: The not-for-profit can't be the direct recipient.

(Seema Verma): Okay.

Woman: It would have to be a government entity that would be the recipient making subcontracts with that not-for-profit.

(Seema Verma): Okay. And then my other question is on the cost allocation that Rick Friedman went over. He talked about sort of the numerator and denominator. And so that sort of assumes that we have made projections on how many people would go through the exchange.

I mean, you know, some states have done that or is there a specific criteria that you want us or a formula that you want us to follow in terms of figuring out what that denominator is and numerator.

Rick Friedman: Yes, this is Rick. That's a great question. You know, the trouble with any of these kinds of projections is that you are starting at the beginning of the race. And we're asking you to figure out how many people are going to go through your system.

You don't really have much of an idea. And so states really have to look at where the Medicaid eligibility levels are today I think.

If your state like the Commonwealth of Virginia which I understand has a fairly low level threshold for folks to become eligible, and you apply the 133% marker as to where you would be, that would indicate to us that there would be a great number of people who are likely to be eligible under this.

And therefore the Medicaid portion, the numerator, would be proportionally quite large. On the other hand, if you are a state that already has a very robust eligibility level and you look at the 133, and you're not far from it already.

And in that instance it would seem logical that the numbers of new Medicaid folks that would be coming through the exchange would be probably be a little bit smaller. So I think it's really up to each state to try to think through a rationale that relates their projections of how many folks they think will be in the exchange and what percentage that would be Medicaid as a percentage of that.

We don't have a fixed number. We're really interested in knowing what's the rationale that the state used. Does it seem logical? And we're happy to buy into that if we can be sufficiently persuaded. And if it's, you know, a common sense approach as I'm sure it would be, we're more than happy.

We don't have a magic number behind the black curtain that we're hoping that you'll come up with. And if you get it wrong, we'll turn you down. But rather, we just want to make sure that there's some rationale here.

I would advise people to work with people either in your Medicaid program or perhaps in the Department of Human Services or social services that have done

this sort of cost allocation for both planning purposes as well as operations. Because they're quite skilled at it and they have a rationale.

Once the system is up and running then you actually have real people going through the system. And the basis for your operating costs that would be allocated has a much firmer basis. But we realize that in the beginning in here that it's your best guess.

And as long as it seems, you know, reasonable and prudent, we're more than happy to buy into that.

(Seema Verma): Thank you. The last question I have is that, you know, I think a lot of us working in different political arenas. And so, as we move forward with this, let's say we apply, we get some funds and our state decides not to continue pursuing an exchange.

Or maybe we are working towards developing an exchange and come 2013 the federal government say we haven't met the criteria. What happens to the funds that we've already expended?

(Susan Lumsden): Can you repeat the question please?

(Seema Verma): My question is, you know, if we are working towards developing an exchange but, you know, with our political environment which is very different in every state but we could be working towards this and our state decides at some point not to continue especially, you know, on the Level 1 funding.

We maybe get through a couple of projects and our state decides not to pursue an exchange, my question is what happens to the funds that we've already expended?

Or it could be that we're working towards developing an exchange but come, you know, January 1 of 2013, the federal government says you haven't made enough progress or sufficient progress, what happens to the funds that we've already expended?

Is there an expectation from the federal government that the state would pay those funds back? Or, you know, what happens at that point?

(Susan Lumsden): This is (Susan) I'll start then I'll turn it over to (Vivian) and (Jamie). It's our understanding that we cannot take back money that's already been spent. Kind of like of what Joel said, you can't kind of undo progress...

(Seema Verma): Okay.

(Susan Lumsden): ...beginning.

Woman: If it was used on allowable expenses.

(Susan Lumsden): If you decided at some point that, you know, you're not going establish an exchange and you want to terminate the grant, then it's kind of normal procedure that any unobligated funds would be returned.

(Seema Verma): Okay.

(Susan Lumsden): And there's a process for that.

Rick Friedman: And this Rick Friedman, going out on a limb -- I can hear myself sawing it off behind me -- but relative to the Medicaid investment in all of this, a lot of the activities under the exchange and under the what we're talking about here, the 11

different pieces whether you do it in whole or in part, ultimately improve your Medicaid program.

So that if you were engaged in discussions with other partners, if you are looking at governance structures for the exchange but sometime along the way you hit a bump in the road, that same activity is very important to Medicaid regardless of what the circumstances ultimately turn out to be.

So from our perspective, we would think that any money that Medicaid had invested in it would have been money well spent. And so we would take that approach to try and make sure that there is almost transferability of the kinds of functions and activities. Because they are so sort of fundamental and essential to managing your Medicaid program that we would think that would be a worthwhile investment.

I'm only speaking about the Medicaid share here not the grant funds. But to the extent that you're doing this together and putting money into it, I think that that would be our attitude.

(Seema Verma): Thank you.

(Susan Lumsden): (Tim), I think we're ready for other...

Coordinator: Oh yes certainly. We do have a few questions in queue. We'll get to you in the order received. Our next question will be (Alex Kemper McCall).

(Alex Kemper McCall): Hello. Over in California, we noticed a focus on the consumer assistance grants and working or having a focus on consumer assistance. I was wondering if you could talk about any interactions with the consumer assistance grants?

Woman: We work closely with them. And a lot of grantees have also consumer assistance grant programs. And we see this exchange is kind of a great opportunity to build upon those activities.

(Alex Kemper McCall): All right, thank you.

Coordinator: (Cindy Jones), I'll open your line now.

(Cindy Jones): Hello?

Woman: Yes?

(Cindy Jones): Thank you. I have a question about the timing on the Level 1. If I'm understanding today correctly that can be up to a year that can be as short as a quarter?

Woman: Yes. You can apply for the project period up to a year. If you want to apply for a three month project period, you can do that.

And if you'd like to talk further about that, I can talk with any of the applicants like offline about advising, you know, how smart it is to apply for such a short project period.

(Susan Lumsden): It's my sense to apply, I'll just say it's always best to apply for a longer project period. And if you complete the activities before then, that's fine.

(Cindy Jones): I guess my question is I don't think we're going to be ready by the June date. And the September date is late for us stopping our effort for the funding at the end of September.

(Susan Lumsden): Right, go ahead (Katherine).

(Katherine Bryant): Right. Hi (Cindy) this is (Katherine Bryant). I would say, you know, if you feel like you're going to be ready to apply for Level 2 in September and want to go ahead and apply for Level 1 now, you can do a project period that reflects that anticipated readiness.

(Cindy Jones): Now I'm thinking that we - so you're saying apply for some portion earlier. Because I think we would be applying for a Level 1 first.

(Katherine Bryant): You could apply for Level 1 now and then whenever you feel you're ready, go then at that time and apply for Level 2. If you want to apply for a project period in Level 1 that is less than one year that reflects you anticipate you're going to be ready for Level 2, that's fine.

(Cindy Jones): Okay thank you.

Woman: And if we didn't answer your question and you want to have a call directly, we'll be happy to do that.

(Cindy Jones): Yes, I think we can talk more offline. Thank you much.

Coordinator: (Jeremiah Samples), I'll open your line now.

(Jeremiah Samples): (Jeremiah Samples) is West Virginia. First, you know, this is an impressive grant application. I appreciate the work that obviously went into it.

Just a quick question, on Page 12 under the Level 2 establishment criteria, I was wondering if you all go into a little bit more detail about B3, submit the plan outlining the steps to prevent fraud, waste and abuse.



And also Letter D, submit the plan describing how capacity for providing assistance to individuals and small businesses in the state will be created?

(Donna Laverdiere) Hi this is (Donna). I think what we're looking for in there is just we want to know that you're doing due diligence in developing procedures to prevent fraud, waste and abuse in your exchange. And that's related to the grant funds but also related to the funding for premium tax credits and cost sharing reductions that's going to be going through your exchange.

And, you know, it may be kind of early to be providing a lot of detail about that. But, you know, we do want to see that you're giving that some thought in this early phase.

And then you were asking about D is that correct?

(Jeremiah Samples): Yes.

(Donna Laverdiere): I think here this goes back to what (Susan) was saying that you know we're interested in knowing how you're going to continue capacity for providing assistance to consumers. And, you know, whatever the things are that you're planning to do in that area, we would like to know.

(Jeremiah Samples): And is that as it relates to both the call center but also producers and navigators?

(Donna Laverdiere) Certainly yes, the call center is a minimal.

(Jeremiah Samples): Okay.

(Donna Laverdiere) I think the navigators could come a little later. But the minimum at the beginning would be at least the call center.

(Jeremiah Samples): Okay thank you.

Coordinator: Let's see, our next question comes from (David Tanner). Your line is open.

(David Tanner): Hi. My question is for Rick. I'm still getting up-to-speed on Medicaid eligibility. As far as premiums you can cost allocate to, is the number - if they come through your eligibility system, is the number who apply or are screened?

Or is it the number who are actually eligible once they're through the eligibility process that's your numerator.

Rick Friedman: Well let me say that I'm just getting up to Medicaid eligibility myself and I've been toiling in these fields for a very long time so it's not surprising that you are still working that too.

Now it really goes to sort of the use of the systems. For example, you might get a number of people who ultimately are not shown to be qualified to be Medicaid eligible.

But on the other hand, they've, you know, utilized in effect the system, the staff resources etc. And so it's a good question.

(David Tanner): So the number of people that come through and apply could be your numerator?

Rick Friedman: Yes. The number of people who apply for Medicaid...

(David Tanner): What if you run all eligibility through your Medicaid system?

Rick Friedman: All eligibility in...

(David Tanner): The first gate they pass through in the exchange process is to check and see if they're Medicaid eligible?

Rick Friedman: Yes.

Woman: That's one way they could do it.

Rick Friedman: Yes that's certainly - Let me just sort of go back to at least where I was headed. And then we can sort of circle back to your clarification that I'm a little mixed up about.

But if somebody applies for Medicaid but is not found to be eligible for Medicaid, I think you would count that person in the numerator for Medicaid because it was an effort that was required on behalf of Medicaid program to make that determination.

Lo and behold they didn't make the - but you didn't know that. And all the resources were spent trying to figure it out. So it seems to be a fair way to count that person as one of the factors in the cost allocation attributable to Medicaid costs because you're consuming resources to make that determination whether or not they actually made it or not.

Can you go back to your clarification about them coming through the Medicaid program first?

(David Tanner): Well I mean one scenario that I've read about for an exchange is you could - when people come to apply, when they present, their first thing they do is enter information, their eligibility information.

And then if they don't apply for Medicaid, they would be routed to a private plan through the exchange.

Rick Friedman: Well I think the responsibility is the exchanges to determine both Medicaid eligibility and people that are above the Medicaid 133. So in effect, it's the exchanges, you know, costs to do both of those things.

It may be that the exchange contracts with the Medicaid program to help them do that. And there's a certain charge associated with it. I'm not saying that every exchange has to build a set of boxes or wires just to perform this function.

But the function of determining Medicaid eligibility and a premium subsidy eligibility is a requirement of the exchange. So I think the question then is how you divide up those costs especially with regard to IT which is probably the lion's share of these costs. And is probably the easiest to think about in terms of the allocating costs.

(David Tanner): So your workflow, if people come to the exchange and then get pushed to Medicaid, not the other way around?

Woman: Well I mean there's no wrong door unless not...

Rick Friedman: Right.

Woman: ...just to promote what you were saying. But I mean, you know, people will be trying to determine their eligibility for these different programs in various ways.

So someone may go through the Medicaid door, someone may go through the exchange.

And so I think that's probably the complicating factor here.

(Susan Lumsden): And also I'll just add a little bit, this is where the program integration piece is so important that the exchange and the Medicaid program workout kind of that workflow and business processes.

Rick Friedman: And they can come through multiple doors just as we were saying. It's transparent to the person. They're really not sure, you know, what's happening behind the scenes as to who is making the determination where.

But they could go through the traditional process. And they could go through a variety of different ways.

(David Tanner): All right thanks.

Coordinator: Our next question comes from (Norman Thurston). I'll open your line.

(Norman Thurston): Yes I actually have two questions. I'll start with the easy one first.

How do you envision a multi state consortium would apply through the process?  
After you answer that one, I'll ask the other one.

Woman: Okay. You would just have a lead applicant that would be responsible for the grant.

(Norman Thurston): Okay. So all the money would have to be funneled through one of the participating states?

Woman: That's correct.

(Norman Thurston): Okay. And then the second question...

Woman: And that they be responsible for the grant.

(Norman Thurston): Okay. And then the second question has to do with (Vivian) went into some detail about things that need to be included in order for things to be funded. I'm a little bit scared that we're going to be able to forecast three years in advance who's going to what conference and when.

I assume that there's going to be some flexibility that we can just have some statements about travel budgets or consultant budgets now. And then be able to specify those later down the road. Am I assuming wrong on that level of flexibility?

Woman: No there definitely would be.

Woman: Thank you.

Woman: We're seeing folks now having to adjust their planning grants for conferences that they did not anticipate so absolutely.

(Norman Thurston): Yes, because realistically I mean because we're thinking about completing the application that we might submit in, you know, six to nine months.

Woman: Right.

(Norman Thurston): Forecasting beyond even...

Woman: Exactly. And once the NPRM comes out, you're going to probably have some adjustments in your work plan, in your milestones. So that's the beauty of the cooperative agreement. It really goes back and forth between both of us.

(Norman Thurston): So does that mean that the total amount of the grant to be administrated as well or do we just kind of have to guess high and hope it's enough?

Woman: What we would expect the applicants to do is to do a very realistic budget. And your assumptions are very important and your cost allocation is important. And then as time goes on, if there's something, you know, maybe the NPRM comes out and it anticipates something that none of us budgeted for then we'd have to look at possible supplements.

So it's not like a complete closed door. You do that and that's the end. There's different ways that you can do that. We can do supplemental funds and other ways we can do that.

(Norman Thurston): Okay thank you.

Woman: Okay. And we do ask applicants - The budget will be looked on for reasonableness.

Coordinator: (Craig Steel), I'll open your line now.

(Craig Steel): Hello this is (Craig Steel) from Wisconsin. I have a question on Pages 58 and 59 of the FOA for program integration. There is a requirement for 2011 to execute an agreement with DOI as well as the state Medicaid agency.

Woman: Yes?

(Craig Steel): And the specific question is who is the originating executor of that agreement? Is it supposed to be the exchange? Or is it the application agency for the grant?

Woman: It would be the applicant agency.

(Craig Steel): Okay so the state Medicaid agency is the applicant agency then the agreement, there would simply be an agreement with DOI?

Woman: Correct. And you see where we're trying to get to.

(Craig Steel): Yes.

Woman: The real point of this is to make sure again, from a consumer standpoint, there is no wrong door. And DOI and Medicaid are working very closely together and working out their business processes early.

(Craig Steel): Yes, we just wanted to make sure it wasn't the exchange if the exchange had not been established yet.

Woman: Correct. And then obviously once the exchange is established, you're going to have to look at those business processes as well.

(Craig Steel): Correct. Thank you.

Coordinator: (Meagan Ingram), I'll open your line.

(Meagan Ingram): Thank you. This is (Meagan Ingram) and I was curious about how much funding will be available to the states for these cooperative agreements?



Woman: Again, we did not put an amount because of the variance in states in the systems and the scopes of work. So we did not actually put an amount for each grant nor the total funding.

(Meagan Ingram): Okay thank you.

Coordinator: We have no other questions in the queue at this time.

(Susan Lumsden): We actually have one more question that we would like to address that had come in. (Katherine)? And then we'll ask again in case anybody else has any other questions. But we have one more question here.

(Katherine Bryant): Great thank you (Susan). In regards to the Level 2 eligibility criteria, we've talked about how a state could demonstrate they had the legal authority to establish an exchange.

Another question is, how do they demonstrate that they have established a governance structure. So to demonstrate that the governance structure of the exchange has been established, the states should submit one or more of the following if not provided in the documentation that the state submits their legal authority to establish an exchange.

One to be a copy of current legislation establishing the governance structure of the exchange or two, other legislation related to health reform implementation or another general authority such as an Executive Order that establishes the governance structure of the exchange.

And a written legal opinion either correspondence or a formal opinion from the legal counsel of the office of the applicant or the state's attorney general's office

certifying the authority to establish the governance structure of the exchange under state law.

(Tim) do we have any more questions in the queue at this time?

Coordinator: No, there are no questions in queue.

(Susan Lumsden): Okay I'd like to just turn it over to Rick who would like to say some closing words.

Rick Friedman: Yes, I just wanted to add my thoughts on this. To me this is a really terrific opportunity for states and for the federal government to move into the 21st century in terms of information technology.

But more importantly in terms of business processes to make life easier, better, faster, much better for folks that are entitled to health insurance whether it's the Medicaid insurance, whether it's premium subsidies through the commercial market, whatever.

And it doesn't come along all that often. In the past, you know, 35 plus years since the program really got started from a Medicaid perspective, this is a major difference and change. And so it's an exciting opportunity regardless of what happens in terms of the politics and everything else for people like us who care about public service.

And get everyday trying to make a little bit of a difference in the lives of people that are more vulnerable than we are relative to health insurance. And so we are delighted that you're on the call. That you're thinking about this. That you're trying to do your best under really challenging circumstances where, you know, directions perhaps are not as clear as we'd all like them to be.

But on the other hand, if you think about where we're trying to get to and where you want to go you should realize that we are your partner. I think sometimes in a federal assistance, it's sometimes viewed skeptically.

But in this instance, we really are sincere that we want to be working with you to try to get the ball across the finish line. Folks in CSOA and I can certainly speak in terms of the CMS and Medicaid and frankly the Medicaid agencies across the country.

I think are really going to be working together very cooperatively on this recognizing that there is some difficulties and challenges that we all have. But if we can work together I think we can certainly accomplish a great deal.

So that's my sense of it.

(Susan Lumsden): Thank you Rick. I think that says it all. And with that, I'd like to close us for today. Thank you everyone for listening.

And again, the contact information is there both (Michele Vegan's) number for grants related questions and ((Katherine Bryant's) information related to any programmatic questions.

Please look at the FOA for the next set of calls. We will probably put up an amended FOA just to put for the next call we're going to go deeper into the milestones per your request.

Thank you everybody. Have a great rest of your week and weekend.

Coordinator: The call has ended. Please disconnect.

END