

**Office of Consumer Information and Insurance Oversight**

**State Planning and Establishment Grants for the  
Affordable Care Act's Exchanges**

**Alabama Department of Insurance  
Quarterly Report 2**

**Date:** April 7, 2011

**State:** Alabama

**Project Title:** Alabama Exchange Planning Grant

**Project Quarter Reporting Period:**  
Quarter 1 (01/01/2011-03/31/2011)

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Award number: 1 HBEIE100006-01-00

Date submitted: April 7, 2011

**Project Summary**

The Alabama Department of Insurance had a significant delay in contracting with the research entity to assist in Exchange Planning. The contract was not fully executed until mid-March—over 10 weeks later than originally planned. The first meeting was held with LMI, Public Consulting Group and Mathematica as well as key state stakeholders on March 24, 2011. A representative from Medicaid, All Kids, the Governor's office, the Finance Department, and the Information Services Division of the Department of Finance (IT oversight for the state) met with LMI and its subcontractors as well as DOI key staff to develop a roadmap for work.

**Core Areas**

LMI, along with its subcontractors Mathematica and Public Consulting Group, will be working with the Department to develop an Exchange governance structure, business plan and financing options. These final products will be presented to state leaders to make a final determination as how to best proceed for the state.

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An initial meeting was held with representatives of LMI, Mathematica and Public Consulting Group, to discuss implementation and identify the goals and challenges of the project. The basic framework follows.

- **Development of Planning Roadmap.** In collaboration with the Department and other appropriate State government staff members, leaders, and stakeholders, LMI will develop a Planning Roadmap which shall serve as the framework for all Exchange planning, design, and implementation. The Planning Roadmap shall: identify potential Exchange goals, key policy decisions, timelines for decision making, and issues and analysis required for each decision; include recommended strategies for organizing stakeholder groups and government activities, for organizing data analysis tasks, and for identifying timelines for key planning steps; identify areas where work relating to the design and implementation of the Exchange can be coordinated with on-going State initiatives relating to health care reform; set forth a clearly articulated structure and process for guiding and staging critical project tasks and deliverables; and set forth a work plan that establishes a project schedule and assigns responsibilities for completing each task.
  
- **Study of current insurance market.** LMI shall design and conduct a formal analysis of the current health insurance market, to include a review of information currently reported to the Department, review of available plan designs and payment models, and modeling the impact ACA changes will have on the market. Such analysis shall be used to inform Exchange design decisions, and LMI shall provide the Department with guidance on how best to use data to inform Exchange design and implementation decisions. Examples of anticipated issues that should be considered and, as necessary, addressed are the quality and quantity of grandfathered plans within the State, the premium impact of reforms, the present breadth and anticipated future of the limited medical benefit plan market, and the pros and cons of allowing a catastrophic health plan.
  
- **Assessment of current programs and integration opportunities.** In coordination with the Department and stakeholders, LMI shall develop a comprehensive assessment of current health care benefit programs across public and private sectors and conduct an analysis of program integration requirements and opportunities with the goal of aligning or standardizing benefit packages to minimize coverage disruptions and maximize care continuity. Such assessment shall consider benefit design, outreach, funds flow, eligibility determinations, enrollment/disenrollment, care coordination, claims payment, information systems, and applicable quality standards where feasible and appropriate. Where integration is not feasible, LMI will examine the best methods to explain benefit and other program feature differences to maximize consumer understanding and participation. The assessment shall include how different populations interact with health coverage distribution channels and whether, beyond benefit integration, communication tools associated with the acquisition of health care coverage need to be standardized or customized for specific populations.
  
- **Exchange design options.** Consistent with the Planning Roadmap, LMI shall develop a comprehensive written analysis recommending one or more models for the Exchange. Such model or models shall be aligned with key policy goals identified by the Department, shall build on existing information and information gathered through other Services conducted pursuant to this Contract, and shall account for Alabama's existing programs and information technology (IT) infrastructure (both current and future). LMI's analysis shall develop an overview of the functions and services of the Exchange to include: governance; financial functions; administration; customer service; and outreach, education, marketing, and the role of navigators. The analysis shall include the delineation of functions that apply to the Exchange as relevant to the individual market, the SHOP Exchange (small

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group market), and general administrative functions of the Exchange. As part of the analysis, LMI shall develop a work plan that ultimately delivers a final set of recommendations to the Department. This work plan will include the following:

- A definition of the options for governance: government agency (new or existing), quasi-public authority, or nonprofit entity.
  - Identification of the advantages and disadvantages of each governance model.
  - Vetting of the options with State officials and key stakeholders to ascertain support for each model.
  - Development of a recommendation for the governance and organizational model for the Alabama Health Benefit Exchange.
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- **Recommendation for Exchange financial sustainability.** LMI shall prepare a written analysis of sustainable financing options for having a self-sustaining Exchange by 2015. The analysis will include budget estimates for the Exchange and recommendations for implementing a fully functioning and financially sustainable Exchange. LMI shall assist the Department in developing volume estimates, benchmarking costs, and staffing data from existing public and private exchanges, and determining the types of positions and salaries likely to be needed to operate the Exchange.
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- **Recommendation relating to Exchange finance functions.** LMI shall prepare a written assessment of financial functions and develop options, costs estimates, and recommendations. The assessment should account for a variety of finance-related functions relating to an Exchange, such as development of accounting and auditing systems, procedures, standards and controls; collection and safeguarding of premiums; reconciling tax credits and cost-sharing subsidies; control of waste, fraud, and abuse; creation of transparency and financial reporting mechanisms for the public; and development of the technical infrastructure to comply with Federal reporting requirements.
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- **Study of uninsured and underinsured.** LMI will develop a report to assist the Department in understanding the population that may purchase health insurance through an Exchange. To furnish information concerning Alabama's uninsured and underinsured populations, LMI will utilize already-available survey data—specifically, the Alabama sample of the American Community Survey (ACS) – and enhance that data (1) to project the data to year-end 2010 to reflect changes in the economic circumstances and coverage of Alabamians since 2008–2009, and (2) to add information on Alabama's underinsured population.
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- **Actuarial services in support of Exchange planning.** LMI shall produce an Alabama-specific base actuarial model using State-specific premium, enrollment, and population statistics. LMI will review existing data sources and reports for the privately insured markets and assess the information gaps, and summarize and analyze the information to understand the premiums, claims, plan designs, and rating methods employed by market segment. As requested, LMI shall provide such actuarial assistance as may be needed to analyze issues that will arise during the Exchange planning and development process.
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- **Formal stakeholder study.** LMI shall conduct a series (not exceeding eight (8) in number) of focus groups convened around the State and organized around specific stakeholder groups to assess the views of stakeholders in Alabama on issues of the design and implementation of the Exchange. LMI will prepare a short briefing paper and distribute same to focus group participants in advance, and

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develop a series of general questions to be asked of all groups as well as specific questions related to each stakeholder group.

- **Creation of an implementation plan.** After Department direction concerning the best Exchange model and based on studies and analyses completed relating to the financial environment and impacts on the Exchange, LMI shall develop an implementation plan that clearly articulates key milestones, sets a schedule to establish a fully functioning Exchange, and accounts for internal and external infrastructure and resources that may be leveraged to support Exchange administration and operation. The LMI shall work closely with the Department to ensure the implementation plan concisely and clearly outlines the important elements of the project, precisely describes Department and LMI expectations, includes all timelines and project phases, paying particular attention to critical path items and interdependencies, and sets forth the decision and management paths.

**SCHEDULE OF DELIVERABLES**

Description	Lead	Days After Contract Award
Initial Meeting	LMI	Within 30 days
Development of Planning Roadmap	PCG	60 days
Report of Current Insurance Market	Mathematica	120 days
Report of Current Programs and Integration Opportunities	PCG	120 days
Exchange Design Options	PCG	180 days
Recommendation for Exchange Financial Sustainability	PCG	180 days
Recommendation relating to Exchange Finance Functions	PCG	180 days
Report of the Uninsured and Underinsured	Mathematica	180 days
Actuarial Report for Exchange Planning	John Bertko	180 days
Summary of Feedback Report	LMI	210 days
Implementation Plan	PCG	210 days

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• **Governance, Finance, Technical Infrastructure, Business Operations**

At the conclusion of the studies and research by LMI, it is expected that the Department, in conjunction with input from key partners and stakeholders, will be able to make clear recommendations to the Governor and Legislature as to whether or not Alabama should establish its own Exchange, the most effective governance structure as well as financing options for the Exchange, what technical infrastructure exists and needs to be created for the Exchange and the basic framework of business operations for the Exchange. *Several outside entities have already begun drafting legislation authorizing the Exchange and establishing a governance structure, however, the Department is encouraging decisions to be made on sound data and not because "it's what everyone else is doing across the country."*

• **Regulatory or Policy Actions**

The Department is considering the adoption of the NAIC model legislation regarding the Exchange. At this time, however, the governance structure has not been determined. Once that has been accomplished, legislation will be completed and sponsors of legislation sought.

**Barriers, Lessons Learned, and Recommendations to the Program**

No update.

**Technical Assistance**

At this point in time, the Department does not anticipate any technical assistance needs.

**Draft Exchange Budget**

At this point in time, it is inappropriate to submit cost estimates for an Exchange as we do not have sufficient data from which to base any cost. As these reports are public documents, it would be irresponsible for a state agency to create consternation and concern on inflated figures which are based on little more than an uninformed guess. As more information is gathered during the planning process, it is anticipated that the Department will be much more specific and factual in future reports.

Function	FFY 2011	FFY 2012	FFY 2013	FFY 2014
Planning	\$1,000,000			

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**Work Plan**

*In your second report, please provide four milestones.*

- **Name of milestone: Stakeholder meeting**
- **Timing: January 20, 2011**
- **Description: In an effort to jointly collaborate and build an Exchange that will work for Alabama, state agencies, consumer advocacy organizations, provider advocates, and other interested organizations have begun meeting and opened a dialogue on Exchanges in the state. At the January meeting, a review of the Wisconsin Exchange was completed.**
  
- **Name of milestone: Contract for Entity to assist Exchange Planning**
- **Timing: March 2011**
- **Description: In order to effectively conduct background research, determine resources and capabilities, establish governance, finance and technical infrastructure as well as determine business operations of the Exchange, an entity with the required expertise has been contracted to provide these services. The end result will assist stakeholders, the Department and key partners in making final recommendations to the Governor and other state leaders on whether or not Alabama should establish its own Exchange and if so, how.**
  
- **Name of milestone: Workgroup meetings**
- **Timing: January-March**
- **Description: All four workgroups have begun meeting. Organizational meetings were held during the second quarter to select co-chairs for each group. These co-chairs are charged with conducting and holding meetings with the group members and reporting activities at future stakeholder meetings. Reference materials and helpful links were sent to members of all groups. Currently, the Exchange Administration and IT workgroups are busy conducting background research into the areas for which they have been charged.**
  
- **Name of milestone: Health Insurance Reform Information Center**
- **Timing: January 2011**
- **Description: The Health Insurance Reform Information Center contains links, updates and other helpful information on health insurance reform and its effect on Alabama. This is where stakeholders can find current information on meetings and other information regarding Exchange Planning efforts. The direct link is:  
<http://www.aldoi.gov/Consumers/HealthInsReform.aspx>**

**Collaborations/Partnerships**

*Report on who you are working with outside of your office or department, and any changes or issues in your institutional context and/or any progress or issues with your project partners (where applicable).*

<b>Partner</b>	<b>Type</b>	<b>Role</b>
State Employees Insurance Board (SEIB)	Employer Group	Advisory
American Cancer Society	Special interest	Advisory
AL Applesseed Center for Law & Justice	Consumer advocacy	Advisory

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ADPH/CHIP (Ala. Dept. of Public Health)	Health dept.	Partner
Southern Strategy Group	Private contractor with other public organizations	Attendee
BCBSAL (Blue Cross Blue Shield of Alabama)	Private Insurance	Advisory
Alabama Arise	Consumer Advocacy	Advisory
AARP	Consumer Advocacy	Advisory
Ala. Dept. of Mental Health	Agency	Advisory
Family Voices of Alabama	Consumer Advocacy	Advisory
Ala. Dept. of Rehabilitation Services	Agency	Advisory
Ala. Information Services Division	Agency	Advisory
Ala. Medicaid	Agency	Partner
APHCA - Ala. Primary Care Association	Federally qualified health ctrs/advocacy org	Advisory
Alabama Hospital Association	Professional Association	Advisory
Medical Association of the State of Alabama	Professional Association	Advisory
Children's Health System	Hospital	Advisory
Alabama Association of Health Plans	Professional association representing private insurance	Advisory
Ala. Dept. of Senior Services	Agency	Advisory
VOICES for Alabama's Children	Consumer advocacy	Advisory
Ala. Dept. of Economic and Community Affairs	Agency	Advisory
Ala. Chapter—American Academy of Pediatrics	Professional association	Advisory
Business Council of Alabama	Professional association	Advisory
Alabama Rural Action Coalition	Agency/Advocacy organization	Advisory
Providence Hospital	Hospital	Advisory
Willis Holdings	Broker	Advisory
Alabama Optometric Association	Professional association	Advisory
Pfizer	Pharmaceutical	Advisory
Allied Management Systems, LLC	Medicaid contractor	Advisory
National Federation of Independent Business	Professional association	Advisory
University of Alabama at Birmingham Medical Center	Hospital	Advisory
Sowing Seeds of Hope	Consumer advocacy	Advisory
Cahaba Benefits Group	Broker	Advisory
Health Management Associates	Business/Health Care employer	Advisory
Alabama Health Insurance	Broker	Advisory
Health Partners American	Broker	Advisory
Evergreen Medical Center	Hospital	Advisory
Securance Group	Broker	Advisory
Creative Benefit Solutions	Broker	Advisory
Alabama Quality Assurance Foundation	QIO	Advisory
Russell Medical Center	Hospital	Advisory
AllScripts	Health Care Consultants	Advisory
Montgomery AIDS Outreach	Consumer advocacy	Advisory
Ala. Association of Health Underwriters	Professional Association	Advisory
Kennion Group	Broker	Advisory
Springhill Hospital	Hospital	Advisory

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University of Alabama School of Health Professions	Education	Advisory
Standard Insurance Company	Insurance company	Advisory
Infirmiry Health System	Hospital	Advisory
J. Smith Lanier and Co.	Broker	Advisory
Viva Health	Insurance company	Advisory

**APPENDIX A:  
ALABAMA EXCHANGE PLANNING GRANT QUARTER 2  
CONSULTANT HIRING**

1. Name of Consultant: LMI, 200 Corporate Ridge, McLean, VA 22102, a not-for-profit company committed to improving management in government. LMI team led by Dr. David Helms, who has 35 years of experience of state health planning. LMI will partner with Mathematica Policy Research, Inc. (Dr. Deborah Chollet), PCG (Robert Carey) and Gorman Actuarial (Bela Gorman).
2. Organizational Affiliation: N/A
3. Nature of Services to be Rendered: There are ten (10) main tasks to be accomplished:
  - a. Development of a planning roadmap—the deliverable shall be a report not to exceed 25 pages in length within 60 days after contract award.
  - b. Study of current insurance market—the deliverable shall be a report not to exceed 20 pages in length within 120 days of contract award.
  - c. Assessment of current program and integration opportunities—the deliverable shall be a summary report not to exceed 30 pages in length within 120 days of contract award.
  - d. Exchange Options—the deliverable shall be a report not to exceed 40 pages in length within 180 days of contract award.
  - e. Recommendation for Exchange financial sustainability—the deliverable shall be a report not to exceed 30 pages in length within 180 days of contract award.
  - f. Recommendation relating to Exchange finance functions—the deliverable shall be a report not to exceed 40 pages in length within 180 days of contract award.
  - g. Uninsured/underinsured Study—the deliverable shall be a report not to exceed 20 pages in length within 180 days after contract award.
  - h. Actuarial Services -- the deliverable shall be an actuarial report not to exceed 40 pages in length within 180 days after contract award.
  - i. Feedback Report (stakeholder/insurance market study)—the deliverable shall be a report not to exceed 20 pages in length and 8 focus group meetings within 210 days of contract award.
  - j. Creation of an implementation plan—the deliverable shall be a plan not to exceed 30 pages in length within 210 days of contract award.
4. Relevance of Service to the Project: The state must conduct adequate background research to determine the viability and construction of a state-based Exchange. LMI has the experience to provide these services.
5. Number of Days of Consultation: Approximately 210
6. Expected Rate of Compensation: See Appendix B.
7. Method of Accountability: Robert Turner, AL DOI

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**APPENDIX B:  
ALABAMA EXCHANGE PLANNING GRANT QUARTER 2, CONSULTANT (LMI) COST**

<u>TASK</u>	<u>LABOR PRICE</u>	<u>LABOR HOURS</u>	<u>TOTAL ODC</u>	<u>TOTAL TRAVEL</u>	<u>TOTAL ESTIMATED PRICE</u>
Study of Exchange options	\$216,387	810	\$2,497	\$15,585	\$234,469
Study of uninsured	163,530	807			165,530
Actuarial Services	87,901	286			87,901
Stakeholder study	63,622	406	1,440	11,625	76,687
Insurance Market Study	119,618	607			119,618
Assessment/ Analysis of Plan	92,449	351			92,449
<b>Totals</b>	<b>\$743,507</b>	<b>3267</b>	<b>\$3,937</b>	<b>\$27,210</b>	<b>\$776,654</b>