HIX Sustainability
Ensuring a thriving storefront post-grand opening

September 2013
Today’s speakers

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Vice President, CGI

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Senior Consultant, CGI
## Discussion topics

<table>
<thead>
<tr>
<th>Preparing for the “Grand Opening”</th>
<th>Achieving sustainability</th>
<th>Leading by example</th>
<th>Where do we go from here?</th>
</tr>
</thead>
</table>

![Grand Opening](image)
Discussion topics

Preparing for the "Grand Opening"

Achieving sustainability

Leading by example

Where do we go from here?
Getting ready

- Develop business plan
- Secure financing
- Purchase commercial space
- Purchase and display inventory
- Establish pricing
- Launch marketing and advertising

On October 1, doors open for the first time, how to establish a robust marketplace for the future?
Goals for State-based marketplace sustainability

- Keep customers coming in the door
  - Keep products priced right
  - Ensure quality of products and shopping experience

- Remain flexible
  - React to market and regulatory changes
  - Adjust to customer feedback

- Assure financial sustainability
What are the marketplace operating costs by function for a SBM?
(Sample taken from actual data)

<table>
<thead>
<tr>
<th>Category</th>
<th>Annual Cost (millions)</th>
<th>% of Annual Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Call Center and Premium Billing</td>
<td>$11.9</td>
<td>41%</td>
</tr>
<tr>
<td>Enrollment Services</td>
<td>$5.8</td>
<td>20%</td>
</tr>
<tr>
<td>Salaries and Benefits</td>
<td>$5.1</td>
<td>18%</td>
</tr>
<tr>
<td>IT/Consulting/Professional Services</td>
<td>$4.0</td>
<td>14%</td>
</tr>
<tr>
<td>Communications and Marketing</td>
<td>$1.3</td>
<td>4%</td>
</tr>
<tr>
<td>Appeals/Other</td>
<td>$0.9</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>$29.0</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
State-based marketplace funding

Through 2014...

• Federal funding via Level II establishment grants
  • Applications accepted through Oct. 2014
  • May be used to fund development and operations

• State-based funding

2015 and beyond...

• Marketplace must be self-sustaining by January 1, 2015.
  • State flexibility to define financing mechanism
Partnership and Federally Facilitated Marketplace (FFM) funding

Through 2014…

• Federal funding via Level I and II establishment grants for SBM planning, plan management and consumer assistance functions
  • Applications accepted through Oct. 2014
  • May be used to fund development and operations

• Feds will collect 3.5% from Marketplace issuers

2015 and beyond…

• Partnership Marketplace plan management and consumer assistance functionality must be self-sustaining by January 1, 2015.

• Feds will collect 3.5% from Marketplace issuers
SBM, partnership and FFM financial timeline


Start Up Phase | Operational Phase | Transition Year

Federal Grant Funding Available | Marketplace must be self-sustaining

*Timeline applies to marketplaces already established
Medicaid systems funding

HHS will provide a 90% matching rate for DD&I Medicaid eligibility systems through 2015 and a 75% match for maintenance and operation after 2015.

To qualify for match, Medicaid system must be interoperable with the Marketplace

Eligible Marketplace activities benefiting the Medicaid program (i.e. eligibility determination) may be cost allocated to Medicaid.
## Medicaid financial timeline

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>Design, Development &amp; Implementation (DD&amp;I)</td>
</tr>
<tr>
<td>2014</td>
<td>Medicaid Expansion Implementation (ongoing)</td>
</tr>
<tr>
<td>2015</td>
<td>Maintenance and Operation (M&amp;O)</td>
</tr>
<tr>
<td>2016</td>
<td>Marketplaces go live</td>
</tr>
</tbody>
</table>

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## Self-sustaining SBM benefits and challenges

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flexibility of funding model</td>
<td>Politics</td>
</tr>
<tr>
<td>Ability to customize products and consumer experience</td>
<td>Start-up funding required and inertia</td>
</tr>
<tr>
<td>Seamless integration with other health and human services programs</td>
<td>Ownership (double-edged sword)</td>
</tr>
</tbody>
</table>
## Discussion topics

| Preparing for the “Grand Opening” | Achieving sustainability | Leading by example | Where do we go from here? |

Grand Opening

MARKETPLACE

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Sustainability models

- Marketplace-specific revenue sources
- Broad-based revenue sources
- Re-distribution of existing revenue sources
- Medicaid cost allocation
Sustainability models – Marketplace-specific

- **Issuer fees**
  - Inside Marketplace only
  - On policies written or claims assessments

- **Licensing fees for Navigators/QHP applicants**

- **Premium taxes on SBM QHP policies**

- **User fees**
  - For plans purchased
  - For shopping
Sustainability models – Broad-based

Issuer fees

- Inside and outside the Marketplace
- On policies written or claims
- All medical insurance issuers or Marketplace participants only
- All issuers (including stop-loss, life, reinsurance, dental, vision, property)

Licensing fees for agents/brokers

Excise taxes

- Issuers, inside and outside the Marketplace
- Businesses
- Consumers
- Health care providers
Sustainability models – Redistribution

- High Risk Pool
- Existing revenue streams (e.g. provider tax, premium tax, surcharges)
- Sin Taxes (Cigarette/Tobacco/Alcohol)
- General fund/appropriations
# Sustainability models – Medicaid Cost Allocation

<table>
<thead>
<tr>
<th>Methodologies</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>DD&amp;I 90/10 Match</td>
<td></td>
</tr>
<tr>
<td>M&amp;O 75/25 Match</td>
<td></td>
</tr>
</tbody>
</table>

- Allocation of technology costs based on caseload projections
- Allocation of costs based on functional components
- Allocation using the proportion of system support for Medicaid v. non-Medicaid programs


**Marketplace-specific revenue sources**

**Broad-based revenue sources**

**Redistribution of existing revenue sources**

**Medicaid cost allocation**
CGI recommendation

Decrease issuer burden, use broad-based, mixture of funding sources to ensure stability, reliability of funding
Discussion topics

Preparing for the “Grand Opening”

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Leading by example

Where do we go from here?

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## State revenue examples

<table>
<thead>
<tr>
<th>Funding Mix</th>
<th>Marketplace-specific</th>
<th>Broad-based</th>
<th>Redistribution</th>
<th>Medicaid Cost Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connecticut</td>
<td>✔️</td>
<td>✔️</td>
<td></td>
<td>✔️</td>
</tr>
<tr>
<td>Colorado</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Maryland</td>
<td></td>
<td>✔️</td>
<td></td>
<td>✔️</td>
</tr>
<tr>
<td>Minnesota</td>
<td>✔️</td>
<td>✔️</td>
<td></td>
<td>✔️</td>
</tr>
</tbody>
</table>
Connecticut → Broad-based and cost allocation funding

<table>
<thead>
<tr>
<th>Question</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketplace-specific revenue sources?</td>
<td>CT was opposed to creating a Marketplace-specific funding mechanism</td>
</tr>
<tr>
<td>Broad-based revenue sources?</td>
<td>1.35% assessment across an expected $1.9 billion total individual and small group health insurance marketplace.</td>
</tr>
<tr>
<td>Redistribution of existing revenue?</td>
<td>No plans currently.</td>
</tr>
<tr>
<td>Medicaid Cost Allocation?</td>
<td>CT will charge their Medicaid agency for appropriate costs related to Medicaid eligibility processing</td>
</tr>
<tr>
<td>Revenue Source</td>
<td>Description</td>
</tr>
<tr>
<td>-----------------------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Broad-based revenue sources?</td>
<td>Up to $1.80 per policy per month assessment on individual and small business market issuers for 3 years</td>
</tr>
<tr>
<td>Redistribution of existing revenue?</td>
<td>$15 million from CoverColorado (HRP) in 2014 and $8.5 million in 2015.</td>
</tr>
<tr>
<td>Medicaid Cost Allocation?</td>
<td>No current plans</td>
</tr>
</tbody>
</table>
### Maryland → Broad-based and cost allocation funding

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketplace-specific revenue sources?</td>
<td>MD was opposed to creating a Marketplace-specific funding mechanism.</td>
</tr>
<tr>
<td>Broad-based revenue sources?</td>
<td>A portion of the existing 2% insurance premium tax (excluding MCOs and For-Profit HMOs) will be available beginning 1/1/2015.</td>
</tr>
<tr>
<td>Redistribution of existing revenue?</td>
<td>No plans currently.</td>
</tr>
<tr>
<td>Question</td>
<td>Answer</td>
</tr>
<tr>
<td>------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Marketplace-specific revenue sources?</td>
<td>Up to 1.5% of premiums in 2014, and up to 3.5% of premiums in 2015 and beyond (capped at a portion of the MCHA assessment)</td>
</tr>
<tr>
<td>Broad-based revenue sources?</td>
<td>No plans currently</td>
</tr>
<tr>
<td>Redistribution of existing revenue?</td>
<td>No plans currently. However, HRP, with its own broad-based funding stream is scheduled to close</td>
</tr>
<tr>
<td>Medicaid Cost Allocation?</td>
<td>MN will charge their Medicaid agency for appropriate costs related to Medicaid eligibility processing</td>
</tr>
</tbody>
</table>
Discussion topics

Preparing for the “Grand Opening”

Achieving sustainability

Leading by example

Where do we go from here?
So, how do you ensure a thriving storefront?

Revenue streams that are broad-based, consistent, reliable, politically, operationally and administratively feasible, adequate to support operations (to offset potential fluctuations in enrollment)

Products priced appropriately

Close collaboration with stakeholders

Strive for efficiencies – Must be constant focus!
For States contemplating a transition to a self-sustaining SBM

1. Apply for Level I funding
2. Send information declaration letter to CCIIO
3. Start to develop a high level conceptual framework for Marketplace transition
4. Prepare the Marketplace blueprint
Questions?