

Office of Consumer Information and Insurance Oversight

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

1st Quarter 2011 Project Report

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State: South Carolina
Project Title: SC Exchange Planning and Establishment Grant
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Project Summary

Background Research

In this area, the South Carolina Department of Insurance (DOI) intends to conduct research and analysis to study:

- the number of uninsured in the state, including those who may be eligible for coverage under the Exchange; those currently eligible for Medicaid or Partners for Healthy Children but not enrolled; and those employees eligible for their employer's health plan, but not enrolled;
- the extent of the fully insured marketplace including plan designs offered by insurers and the premium levels for these plans , the size of each market segment (individual, small group, and large group and grandfathered), and the potential enrollment in the Exchange for the individual and small group markets;
- estimates of those who will be newly eligible for Medicaid and Partner's for Healthy Children as a result of Affordable Care Act (ACA);
- the cost to the State of state mandates which may be required in coverage offered through the Exchange;
- economic and actuarial models necessary to project trends such as the number of newly insured, and the impact of rating restrictions and other market reforms effective 2014 on premium levels and any potential cost/savings to the state budget;
- economic and actuarial modeling of various policy issues including development of a Basic Health Plan, merging of the non-group and small group

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markets, changing Medical Loss Ratio (MLR) requirements in the non-group/small group markets per the ACA, and expanding the definition of the small group market; and

- a financial model for the exchange including break-even analysis, level of administrative surcharge and cash-flow modeling.

The DOI has begun negotiations with several entities to conduct the above research and analysis and has worked closely with the State's procurement officer to receive the necessary approvals. The Principal Investigator and Program Manager have continued to review publically available demographic data including the Department's 2002 study. It is anticipated that this work will be begin the third week of April 2011.

Stakeholder Involvement

The Exchange Grant's Principal Investigator, Andrew Dvorine, and Program Manager, Gary Thibault, along with other DOI staff, have attended various meetings and conferences held throughout the state to discuss the Affordable Care Act and Health Exchanges. Examples include:

- South Carolina Small Business Chamber of Commerce
- South Carolina Public Health Institute

The Principal Investigator and the Program Manager will continue be available to meet with group that wish to discuss healthcare-related topics as they present themselves.

In addition, the Principal Investigator and Program Manager are workgroup members of the following two groups, both sponsored by the South Carolina Public Health Institute:

- Health Insurance Exchange Workgroup
 - Enrollment and Navigation Workgroup
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Program Integration

The DOI and the South Carolina Health and Human Service Department have set up regular teleconferences to discuss coordination of activities related to enrollment and integration with Exchange activities. This process is anticipated to continue throughout the Exchange planning and implementation process. The Program Manager and the South Carolina Health and Human Services Department's CIO have met and will continue to meet on a frequent basis to insure coordination.

Resources and Capabilities

On March 16, 2011, the DOI hired Gary Thibault as Health Exchange Program Manager to assist the Principal Investigator in his responsibilities under the grant. Prior to joining DOI, Mr. Thibault served four years as Executive of the South Carolina Workers' Compensation Commission and sixteen years as the Commission's Director of Insurance & Medical Services. He also served as Executive Director of Three Rivers Health Systems Agency, Inc., a regional health planning agency, and as staff to the South Carolina Statewide Health Coordinating Council, an entity responsible for coordinating health policy in South Carolina.

Governance

On March 10, 2011 Governor Nikki Haley signed an Executive Order creating the South Carolina Health Exchange Planning Committee. The Committee is "an advisory group whose mission is to assist with research as determined necessary by the Director of Insurance and to provide recommendations on the health insurance exchange planning process as described in the Exchange Planning Grant Application". (Executive Order 2011-09) The Planning Committee is composed of key stakeholders "to assist with the formulation of policy recommendations regarding whether it is feasible for South Carolina to establish a health insurance exchange and, if so, propose a plan for the successful implementation and ongoing sustainability of a state-based health insurance model." The Committee is chaired by the Health Exchange Program Manager and composed of the following: two members appointed by President Pro Tempore of the Senate, two members appointed by the Speaker of the House of Representatives, the Director of the Department of Insurance, the Director of the Department of Health and Human Services, as well as the following appointees by the Governor: a consumer or not-for-profit representative, a small employer, a health care provider, a licensed insurance producer and a licensed health insurance issuer. If the Committee recommends that the State decline to establish a state based health insurance exchange, the Committee must recommend alternate strategies and policies to improve the health

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insurance marketplace. The Committee's first meeting was scheduled for April 14, 2011. (That meeting and progress the Committee makes during the second quarter will be reported in the next quarterly report.)

Finance

The DOI has conducted no research or analysis on the topic of Exchange Finance to-date. The DOI does not anticipate this topic will be explored until other basic conclusions are made, such as whether the State shall operate an Exchange, and its governance structure.

Technical Infrastructure

The DOI has set up a Health Care Reform page linked to its home page. The DOI has placed the grant application and approval documents on this page. The DOI anticipates that additional documentation will be made available at this site.

Business Operations

The DOI has not begun to address this core area.

Regulatory or Policy Actions

The DOI is monitoring the work of other states in crafting statutes.

Barriers, Lessons Learned, and Recommendations to the Program

The start-up process was slower than anticipated. However, with the establishment of the Advisory Committee and the hiring of the Program Manager the DOI is making rapid progress under the grant. At present we have no recommendations to offer to the program, other than to continue to provide assistance to the states as they go through their grant cycle.

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Technical Assistance

We are still in the beginning stages of our planning process. We are making progress getting started with the demographic study of our state. We are aware of ongoing webinars offered by OCIO and look forward to additional webinars in the future.

Draft Exchange Budget

This draft budget is prepared under the assumption that South Carolina will conclude that a Utah-style exchange is the best answer for our state. We have taken estimates provided by the state of Utah and adjusted them upwards for conservatism.

Until our Advisory Committee finishes its research and report, we are not able to answer whether the creation of a state exchange is the best answer. Therefore, the estimated budget for such an exchange should not be relied upon for any degree of accuracy. It is simply an estimate this point.

FFY2011 budget amounts are consistent with the grant budget information. We assume the bulk of the costs will be borne in 2012 and 2013 and decline in 2014 as we transition from start up to operational.

<u>Function</u>	<u>FFY 2011</u>	<u>FFY 2012</u>	<u>FFY 2013</u>	<u>FFY2014</u>
Research/Analysis	610,000	4,000,000	3,000,000	2,000,000
Staff	255,000	255,000	510,000	612,000
Equipment/Office Space	135,000	1,000,000	750,000	500,000
Total	1,000,000	5,255,000	4,260,000	3,112,000

Work Plan

Background Research

Name of Milestone: Basic Demographics

Timing: April 30, 2011

Description: Conduct data on the demographics of the current uninsured and projected Exchange populations.

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Name of Milestone: Modeling, Part I
Timing: April 30, 2011
Description: Enter in agreement with entity to provide actuarial/economic modeling of demographic and fiscal trends for exchange analysis

Stakeholder Involvement

Name of Milestone: Establish Advisory Committee
Timing: March 31, 2011
Description: Advisory committee was established by Executive Order 2011—09.

Name of Milestone: Website
Timing: June 30, 2011
Description: Ensure that website complies with public reporting requirements and continue work on its development.

Program Integration

Name of Milestone: No Wrong Door
Timing: June 30, 2011
Description: Continue planning efforts with State Medicaid to establish a “no wrong door” process for applicants

Name of Milestone: IT Assessment
Timing: June 30, 2011
Description: Begin assessment of current IT capabilities and future interoperability needs for program integration.

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Resources and Capabilities

Name of Milestone: Staffing Levels
Timing: June 30, 2011
Description: Begin assessment of current and future staffing levels needed for exchange.

Name of Milestone: Budgeting Review
Timing: March 31, 2011
Description: Review preliminary four-year budget and revise as necessary.

Governance

Name of Milestone: Review of Exchange Governance Plans
Timing: June 30, 2011
Description: Begin our state's exchange governance plans by reviewing what is being used by other states.

Finance

For Core Area "Finance", our grant application reads as follows:

"SCHEPC (South Carolina Health Exchange Planning Commission) will identify necessary systems to ensure the proper handling and safeguarding of cash collections, reconciliation of premium tax credits and cost sharing subsidies, selection of an accounting system to include a general ledger, payroll, accounts payable and accounts receivable functions, and a financial management and reporting tool."...

At this point, we have not made enough progress to submit any milestones in this area. SCHEPC was created by Executive Order and as of March 31, 2011, the appointees had not yet been named.

Technical Infrastructure

For Core Area "Technical Infrastructure", our grant application reads as follows:

"The technology platform for the Exchange will be a web-based application. The state will require technical guidance to assess the infrastructure requirements necessary for a successful insurance

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Exchange, including guidance as to the feasibility of either building or purchasing all or portions of the web-based Exchange.”...

It is difficult to place any milestones on this core area since we have not had one meeting of the SCHEPC. The Principal Investigator has met with a few companies that have the capabilities to provide guidance in this area, but since the nature of South Carolina's exchange is unknown at this time, it is difficult to set a milestone.

Business Operations

For Core Area “Business Operations”, our grant application reads as follows:

“SCHEPC will establish goals for the operation of the Exchange in accordance with the guidance provided by the Project Manager and the Project Team.” The first meeting of the SCHEPC was scheduled for April 14, 2011 and will undertake this and other considerations/options during the summer of 2011.

Regulatory or Policy Actions

Name of Milestone: Enabling Legislation

Timing: September 30, 2011

Description: Work with Governor's office and state legislature to draft enabling legislation for a Health Care Exchange in the state.

Collaborations/Partnerships

Name of Partner: South Carolina Department of Health and Human Services.

Organizational Type: State Department managing Medicaid.

Role of Partner in Establishing Insurance Exchange: DHHS will be working closely with the Department of Insurance in coordinating exchange activities in the state, particularly as it relates the Medicaid population.

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Accomplishments of Partnership: The Department of Health and Human Services, along with the Department of Insurance and others will comprise the inter-agency project team whose responsibilities are to make the final recommendation to the legislature and Governor concerning an exchange for South Carolina. We have been holding semi-regular meetings to discuss progress.

Barriers/Challenges of Partnership: The uncertain political climate in the state has presented significant challenges to this partnership. Both Departments have new Directors. It will take a certain period of time for all involved to get organized.

Name of Partner: South Carolina Public Health Institute (SCPHI)

Organizational Type: Part of National Network of Public Health Institutes

Role of Partner in Establishing Insurance Exchange: The South Carolina Public Health Institute works to advance the public health priorities of our state by convening academic, governmental and community-based stakeholders around issues important to the health and well-being of all South Carolinians. Specifically, the exchange grant principal investigator serves as a member of the group's enrollment and navigation workgroup and exchange workgroup.

Accomplishments of Partnership: The workgroups represent varied interests. Having a forum where different points-of-view can be voiced is beneficial to the process.

Barriers/Challenges of Partnership: The slow pace of progress by the DOI has had its effects on this workgroup, as the DOI has had little to report to date. This should improve as we make our way into 2011.