Office of Consumer Information and Insurance Oversight

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

3rd Quarter 2011 Project Report

Date: 10/28/2011

State: South Carolina

Project Title: SC Exchange Planning and Establishment Grant

Project Quarter Reporting Period: 7/1/2011 to 9/30/2011

Grant Contact Information

Primary Contact Name: Mr. Gary R. Thibault

Primary Contact Number: 803-737-4972

Primary Contact Email Address: gthibault@doi.sc.gov

Secondary Contact Name: Mr. Andrew Dvorine

Secondary Contact Number: 843-577-3417

Secondary Contact Email Address: advorine@doi.sc.gov

Website: www.doi.sc.gov

                                                                                www.healthplanning.sc.gov

Award Number   1 HBEUE100031-01-00

Date Submitted: 10/28/2011

Office of Consumer Information and Insurance Oversight

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

Project Summary

Background Research

The South Carolina Department of Insurance (DOI) is conducting 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 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 entered into agreements with several entities, including the Institute for Public Service and Policy Research, University of South Carolina, as well as the Office of Research and Statistics, to conduct the above research and analysis, after having worked closely with the State's procurement officer to receive the necessary approvals. The Principal Investigator and Program Manager have continued to review available demographic data including the Department's 2004 study as well as studies conducted by other states. The household questionnaire, the key informant survey and the conducting of focus groups have been completed and the analysis is currently underway.

_____

Stakeholder Involvement

The Exchange Grant's Principal Investigator, Andrew Dvorine, and Program Manager, Gary Thibault, along with the DOI Director and staff, have held and attended meetings with various individuals and groups to discuss the health care and insurance markets, the Affordable Care Act and Health Exchanges. The DOI Director, Principal Investigator and the Program Manager will continue to be available to meet with groups that wish to discuss healthcare-related topics as they present themselves.

_____

Program Integration

The DOI and the South Carolina Department of Health and Human Services (DHHS) continue to meet regularly to discuss coordination of activities related to enrollment and integration with Exchange activities. This process will continue throughout the Exchange planning and implementation process. The Program Manager and the South Carolina Health and Human Services Department's CIO to communicate on a regular basis to ensure coordination. The Director of DOI serves on the South Carolina Health Planning Committee (SCHPC) and serves as chair of the Committee's Consumer Protection – Medical Liability Subcommittee. The Director of DHHS also serves on the South Carolina Health Planning Committee and chairs its Competitiveness and Transparency Subcommittee. DHHS's CIO serves as chair of the Committee's Information Technology Subcommittee.

_____

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 non-profit health planning agency, and as staff to the South Carolina Statewide Health Coordinating Council, an entity responsible for coordinating health policy in South Carolina. Ms. Ella Dickerson, a graduate student in USC's School of Public Health, has joined DOI staff as an intern to assist with the SCHPC's activities.

_____

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 insurance marketplace. The Committee's first meeting was held April 14, 2011 at which time it organized and established four subcommittees to assist with the tasks at hand. Subcommittees are

composed of SCHPC members and those representing various outside organizations.   The Committee and its subcommittees have held eighteen meetings to date and received a number of briefings on health care, insurance markets and the uninsured in South Carolina, the southeast and nationwide.

_____

Finance

The DOI has not conducted research or analysis on the topic of Exchange Finance to date. The DOI anticipates that this topic will be considered in the fourth quarter, as other decisions 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 on its web page and has placed the grant application and approval documents on this page. The Department also has established a website for the South Carolina Health Planning Committee: www.healthplanning.sc.gov. All Committee documents, including agendas, minutes and briefing materials can be found at this site in addition to background information on the health care and health insurance markets.

_____

Business Operations

The DOI expects to address this issue in the fourth quarter.

_____

Regulatory or Policy Actions

The DOI is monitoring the work of other states, primarily through the NAIC, Kaiser Foundation and other similar organizations, both in their planning and analysis of these issues as well as the resulting legislation that they propose and adopt.

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.

Technical Assistance

We are still in the planning process. We have made significant progress with our demographic study and the South Carolina Health Planning Committee and its subcommittees are far along in their work. We are aware of the various resources offered by CCIIO and appreciate the assistance our project officer brings to our work.

Draft Exchange Budget

This draft budget is prepared based on the adoption of a Utah-style exchange. We have taken estimates provided by the state of Utah and adjusted them upwards for conservatism.

Until the South Carolina Health Planning Committee finishes its research and completes its 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 at this point.

FFY 2011 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.

Function	FFY 2011	FFY 2012	FFY 2013	FFY2014
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: Collect and analyze data on the demographics of the current uninsured and

projected Exchange populations.

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 on March 10 by Executive Order 2011—09.

Name of Milestone: Website

Timing: June 30, 2011

Description: Website, www.healthplanning.sc.gov went live June 30, 2011. Website

complies with public reporting requirements and provides all Committee

documents as well as background material on health care, health insurance and

PPACA.

_____

Program Integration

Name of Milestone: No Wrong Door

Timing: September 30, 2011

Description: Continue planning efforts with State Medicaid to establish a "no wrong door"
process for applicants.

Name of Milestone: IT Assessment

Timing: September 30, 2011

Description: Begin assessment of current IT capabilities and future interoperability needs for program integration.

_____

Resources and Capabilities

Name of Milestone: Staffing Levels

Timing: September 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: September 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 Committee) 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 document any milestones in this area.

_____

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

As one of its four task forces, the SCHPC established an Information Technology Subcommittee to develop recommendations on technical infrastructure requirements. The subcommittee, chaired by the CIO of the South Carolina Department of Health and Human Services, includes IT directors, research directors, consumers and representatives of the insurance industry and is tasked with exploring and reporting on the various technical options available to South Carolina for developing and/or connecting to a health insurance marketplace. The subcommittee will identify and review insurance marketplace solutions currently in operation, evaluate the technical approach, and understand the costs and business modes associated with each approach and/or technology. This will include review of options and technical ability to integrate South Carolina Medicaid eligibility with each approach.

_____

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 SCHPC will undertake this and other considerations/options during the fall of 2011.

_____

Regulatory or Policy Actions

Name of Milestone: Enabling Legislation

Timing: September 30, 2011

Description: The SCHPC will work with the Governor's Office and General Assembly to draft

enabling legislation for a Health Care Exchange in the state, if recommended.

Collaborations/Partnerships

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

Organizational Type: State Agency 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.

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. Having the Director of DHHS serve on the SCHPC has been helpful as has having the CIO of DHHS serve as chair of the Information Technology Subcommittee.

Barriers/Challenges of Partnership: Coordination has been very strong. Time constraints appear to be the greatest barrier or challenge at this time.

_____

Name of Partner: South Carolina Institute of Medicine and Public Health (IOMPH)

Organizational Type: Part of National Network of Public Health Institutes

Role of Partner in Establishing Insurance Exchange: The South Carolina Institute of Medicine and Public Health 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 served 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: Coordination between SCIOMPH, DOI and the SCHPC has been very good. The partnership has been very helpful to the SCHPC and DOI.