

## **PROJECT NARRATIVE**

### **Demonstration of Past Progress in Exchange Planning Core Areas**

#### **Background Research**

Over the last ten months, Illinois has made significant progress in the core area of Exchange Background Research. The State will complete an analysis related to its existing public and private health insurance marketplace, as well as an impact analysis that will affect decisions to be made in fall 2011 related to the structure of an Illinois Exchange.

In December 2010, the State issued a Request for Proposals (RFP) entitled *Background Research in Support of a Health Benefits Exchange in Illinois* (RFP# 11-57312) that sought a comprehensive report detailing health insurance coverage and the health insurance marketplace in Illinois. In May 2011, Department of Insurance (DOI) and Department of Healthcare and Family Services (HFS) staff met with representatives from the winning bidder, Deloitte LLP, to officially launch the project. Deloitte will deliver a midterm presentation of its findings in July 2011 and will deliver a final report (the “Background Research report”) in August 2011.

The final Background Research report will include an analysis of Illinois’s uninsured, underinsured, and insured populations, an assessment of the affordability of coverage statewide, and an overview of the State’s private health insurance marketplace. Specifically, Deloitte will conduct a quantitative analysis of the uninsured, underinsured, and insured populations in order to determine characteristics such as demographic details, eligibility for public programs, and employment status. The report will also discuss the financial, physical, cultural, and other barriers to health insurance enrollment in Illinois and will provide an assessment of coverage affordability. Deloitte will also provide an analysis of past coverage trends in the State, provide projections of coverage trends through the next ten years, and analyze the impact of ACA-mandated public program expansions. Finally, Deloitte will develop a qualitative and quantitative analysis of the State’s current health insurance marketplace, including the number of products and policyholders, information about benefit design, barriers to entry for new carriers, regional network variation, and geographic distribution and compensation structure for the State’s agents and brokers.

Deloitte plans to compile a final report based on existing Illinois data, a population survey, secondary national data sources, and their Health Care Reform Model. In addition to DOI and HFS, Deloitte has engaged with the Illinois Departments of Human Services (DHS) and Public Health (IDPH), Office of Health Information Technology (OHIT), and Central Management Services (CMS). Given the limited reporting requirements for insurers in Illinois, DOI initiated a targeted market exam of the State’s top health carriers. That exam includes both data requests and interviews with different business segments within the carriers. As noted below, additional Exchange consultants – Health Management Associates (HMA) and Wakely Consulting – will also use this information to calculate the impact of an Exchange in Illinois’ existing marketplace and therefore were also named as examiners. In addition to informal daily between the project leads and the State Exchange staff leads, Deloitte provides bi-weekly updates to Exchange Project Directors on their progress towards achieving project milestones.

The Background Research report is expected to inform the recommendations of a Legislative Study Committee established by Senate Bill 1555 (discussed in the “Governance” section), as well as future planning efforts related to the Exchange and associated consumer protections. The final Background Research report will also be made available to the public through the Governor’s health reform website, and the State will conduct a public presentation or webinar of the findings.

The State issued an RFP entitled *Needs Assessment for Establishment of an American Health Benefits Exchange* (the “Needs Assessment project”) in December 2010 seeking assistance in determining the costs, staffing implications, and infrastructure needs associated with an Exchange, the impact of an Exchange on the current consumer marketplace, long-term financing options for the Exchange, and options for the State to transition its existing public health program eligibility systems to the level of functionality required under the ACA. After an extensive review and selection process, the State selected a team of consultants lead by HMA in partnership with Wakely Consulting (Wakely) and CSG Government Solutions (CSG).

In April 2011, representatives from DOI and HFS met with the three vendors to launch the project. Work for the project was separated into two sections, with HMA and Wakely leading efforts related to Exchange operations and HMA and CSG working on those related to existing eligibility processes. The Exchange Project Directors participate in three calls per week with the Needs Assessment project team to receive updates and give direction on the development of project deliverables. In June 2011, HMA, Wakely, and CSG presented midterm findings, with a final report due on July 31, 2011. The Needs Assessment report will also be available online.

The State continues to coordinate the work of the Deloitte and the HMA-Wakely teams to ensure that all associated vendors can provide interim estimates of the impact of the Exchange to the State on a timely basis. Throughout the process, the State has been able to isolate additional areas of interest where more research must be done before policies and a complete operational plan can be formed for the Illinois Exchange. These areas include more in-depth modeling of insurance coverage in Illinois when presented with alternative scenarios, additional research on employers (both behavioral modeling and an Illinois-specific employer survey), and additional exploration of the options for risk-adjustment, reinsurance, certification of health plans, the navigator function, the SHOP Exchange, and the basic health program option. The State’s efforts to explore these areas will be discussed in greater length under the “*Proposal to Meet Program Requirements*” section.

## **Stakeholder Involvement**

The State has undertaken a variety of efforts to engage a diverse array of stakeholders throughout Illinois on the development of an Exchange. These efforts include online educational materials and presentations, requests for public comment, open meetings, and targeted working groups.

### *Governor’s Health Reform Website*

In September 2010, the State launched a health reform implementation website, <http://healthcarereform.illinois.gov>. This website provides stakeholders with educational resources related to health reform and the Exchange and enables them to provide feedback to the State directly. This portal has been used extensively in specific relation to the Exchange, as noted below in greater detail.

### *Illinois Health Reform Implementation Council*

In July 2010, Governor Pat Quinn issued Executive Order #10-12 establishing the Illinois Health Reform Implementation Council (“Council”), a panel consisting of top-level representatives from eight separate State government agencies and the Governor’s Office. The Council convened public hearings across the State, soliciting input on all aspects of ACA implementation, including an Exchange.

In November 2010, the State issued a comprehensive request for public comment, entitled *The Affordable Care Act: Key Issues for Public Comment; Health Insurance Reform and the Option of Establishing an Insurance Exchange in Illinois*. This request included significant background information on the federal requirements for an Exchange, highlighted the State’s decision points, and solicited feedback from stakeholders on six different

aspects of the Exchange: 1) Functions of a Health Benefit Exchange; 2) Structure and Governance; 3) The External Market and Addressing Adverse Selection; 4) Structure of the Exchange Marketplace; 5) Self-Sustaining Financing for the Exchange; and 6) Eligibility Determination. This request for public comment was posted on the State's health reform implementation website, circulated to all potential stakeholders, and announced in a press release. Individuals across the State and from every group of stakeholders contributed approximately 80 comments that were later posted on the State's health reform website. These comments have informed the Council's final recommendations to the Governor on the Exchange and other topics.

In February 2011, the Council sent its initial draft of the report to the Governor and held a subsequent public meeting to discuss its findings and solicit comments from interested parties. The Council posted its final report, [Health Care Reform Implementation Council: Initial Recommendations](#), on March 1, 2011.

### *DOI Stakeholder Meetings*

In concert with these efforts, DOI formed stakeholder working groups—including consumer and patient advocates, providers, employers, carriers, and producers—to discuss, develop, and draft legislation to establish an Exchange. The working groups met separately five times to discuss issues such as Exchange governance and financial sustainability. On March 8, 2011, DOI held a final meeting to make adjustments to draft legislative language, to which representatives from all stakeholder groups were invited. Input from these groups led to the development of the legislation that was eventually submitted to the Illinois General Assembly ([Senate Amendment 001 to SB 1729](#)).

### *Medicaid Advisory Committee*

Illinois has established and consults a Medicaid Advisory Council (MAC) that advises HFS with respect to policy and planning related to the department's [Medical Programs](#). During the May 6, 2011 MAC meeting, HFS asked the one of the State's Needs Assessment consultants – CSG -- to poll advocacy organizations for suggestions on how to improve enrollment and program integration. The result of that effort was a white paper released on June 2, 2011 entitled “*Comments from Interested Parties on Illinois' Design of EVE*.” This paper included feedback from stakeholders with specific enrollment experience on elements that they would consider crucial for a successfully Integrated Eligibility System (IES).

### *Educational Webinars*

The State also launched a series of educational webinars on topics related to health care reform, including the establishment of an Exchange. The first, *Basics of an Exchange*, was conducted in December 2010 with over 100 participants and featured an overview of the Exchange concept and decision points faced by the State in developing an Exchange. The next, entitled *Exchange Governance and Long-Term Sustainability* occurred in January 2011 and included 88 live participants. The third Exchange webinar, entitled *Exchange Operating Model*, was presented to 60 participants in February 2011, and focused on the “active purchaser” vs. “market organizer” debate. Since the series began, the DOI webinar page has attracted 6,931 views from 2,377 unique viewers. DOI has also hosted webinars related to premium rate increases in Illinois as well as medical loss ratio provisions contained in the ACA, and intends to offer additional presentations regarding other ACA-related topics.

### *Enrollment User Experience (UX) 2014 Project*

The State has agreed to participate in the Enrollment User Experience (UX) 2014 project sponsored by the California HealthCare foundation in partnership with a tech company called IDEO and CMS (discussed in further detail under “*Business Operations*”). The Illinois project team is led by the DOI Exchange Project

Director, and includes two representatives from the patient and consumer advocate/non-profit community, and four additional public program experts within State government. The State plans to engage its broader stakeholder community once the project's findings are posted to a public website.

### *Exchange Outreach*

Finally, staff from DOI, HFS, and the Governor's office have been and will continue to participate in meetings, briefings, and other public forums to speak about issues related to the establishment of an Exchange. These meetings touch a wide variety of interest, civic, and professional groups across the State. Since receiving Planning Grant funding, DOI staff have attended more than a dozen such meetings, with typical audience sizes ranging from 30-100.

## **Legislative and Regulatory Action**

### *Senate Bill 1729*

After careful study and extensive consultation with stakeholder groups, DOI produced draft legislation in the form of SB 1729 that was introduced in the Illinois General Assembly on March 17, 2011, by Senator David Koehler of Peoria. As noted under "*Governance*" the legislation would have established the State's Exchange as a quasi-governmental entity financed in a manner independent of general revenue funds and provided for the inclusion of a SHOP Exchange under its broader umbrella. It defined the duties of an Illinois Health Benefits Exchange Board (the Board), a Technical Advisory Committee, and an Executive Director and authorized the appointment of additional staff at the Board's discretion. The legislation authorized the Exchange to carry out all the minimum functions necessary to meet compliance with the standards outlined in the ACA, with the exception of a mechanism for financial sustainability beginning in 2015. Throughout the 2011 spring legislative session of the Illinois General Assembly, DOI and HFS staff worked with Senator Koehler and other stakeholders to advance SB 1729, eventually attracting 19 additional co-sponsors.

### *Senate Bill 1555*

While SB 1729 currently remains in the Insurance Committee, [SB 1555](#), Exchange legislation sponsored by Senator William Haine of Alton and Representative Frank Mautino of Spring Valley, was passed by the General Assembly on May 29, 2011. The legislation commits the State to establish a State-level Exchange meeting the core requirements of the ACA by January 1, 2014, but does not establish a governance structure or take other direct measures toward Exchange establishment. Instead, the bill establishes a Legislative Study Committee consisting of 12 Members of the General Assembly (3 Members each appointed by the Majority and Minority Leaders of the House and Senate) to conduct a study and produce recommendations by September 30, 2011, concerning prospective actions through 2014 toward the establishment of an Exchange. This Committee is to be staffed by the Commission on Government Forecasting and Accountability (COGFA) and DOI and HFS will act as a resource to both COGFA and the study committee. The recommendations of the Legislative Study Committee will be used to craft Exchange establishment legislation that meets the minimum requirements of the ACA and Level II Establishment Grant funding requirements during the General Assembly's Fall Veto Session, scheduled to begin on October 25, 2011.

## **Governance**

As noted under the "*Stakeholder Engagement*" section, the State has solicited and received extensive feedback from diverse groups of stakeholders on an appropriate governance structure for an Exchange and will continue to do so going forward. The Health Reform Implementation Council report included key recommendations for the governance structure of the Exchange and was used by DOI during the open stakeholder working group

meetings to draft feedback on targeted aspects of Exchange governance and conflict of interest rules associated with Exchange staff and board members. Based on this targeted stakeholder feedback to the Council report, DOI drafted legislation to authorize the establishment of an Exchange (SB 1729).

As mentioned above in the “*Legislative and Regulatory Action*” section, the General Assembly passed an alternative Exchange bill that did not establish a formal governance structure, but instead appointed a Legislative Study Committee which will recommend a governance structure by September 30, 2011.

## **Program Integration**

Illinois’s approach to the implementation of the ACA has been marked by collaboration among all impacted State agencies, particularly the two lead agencies, DOI and HFS. DOI has primary responsibility for regulating the private health insurance marketplace and takes the lead on all planning related specifically to the establishment of the Exchange. HFS, which includes the State’s Medicaid agency and State Children’s Health Insurance Program, has primary responsibility for coordinating the development of seamless eligibility for all coverage (including Exchange coverage) while delivering a plan for full integration of existing and new IT technology for eligibility. Following passage of the ACA, implementation efforts have been coordinated from the Governor’s office by the Governor’s Senior Health Care Advisor, Michael Gelder. Mr. Gelder also serves as Chair of the Governor’s Health Reform Implementation Council.

To further integrate the States’ planning efforts, lead departments (DOI, HFS, and the Governor’s office) executed an intergovernmental agreement (IGA) on February 22, 2011. This agreement allows these departments to share resources, in particular grant funds related to the planning for an Exchange.

Program integration efforts are led at the department level by Kate Gross in DOI and Mike Koetting in HFS. Efforts have focused primarily on the development of an IES that will serve, at a minimum, Medicaid, CHIP, and clients eligible for private health coverage, but more broadly, to pursue steps to maintain and enhance program integration across the various healthcare and human service programs.

A workgroup for the development of the IES was initially constituted in fall 2010 and included DOI, HFS, and DHS. DHS is the State department responsible for multiple human services agencies and currently runs the States’ Medicaid eligibility system. The eligibility system is currently integrated with Temporary Assistance for Needy Families (TANF) and Supplemental Nutrition Assistance Program (SNAP) eligibility. This group has been meeting regularly and put together the eligibility determination portion of the Needs Assessment RFP, awarded in late winter to the HMA collaborative team. This team includes CSG, an information system consulting group that has led the Needs Assessment project as it relates to eligibility systems.

Since March 2011, CSG has reviewed documentation, interviewed key actors in all departments, compared current state requirements to ACA-requirements, and met regularly with the eligibility determination work group to review findings. CSG has outlined several broad options for developing an IES and is currently reviewing the strengths and weakness of these options with the workgroup, including evaluating risks, with a particular emphasis on implementing an approach in the time frame prescribed by the ACA.

Going forward, it is Illinois’ intention to seek funds to continue accelerated development of an IES. In order to be successful, this will require a continued high level of program integration. Several other Illinois efforts contribute to program integration:

- The eligibility workgroup is coordinating with the Illinois Framework project, which was established before the passage of the ACA to integrate all healthcare and human service systems. The Framework Project initially anticipated the development of an IES, but it has become clear that the lead on

development of integrated eligibility should come from the ACA effort, with other groups coordinating with that system to achieve maximum coordination of efforts. Illinois currently anticipates using Framework funding to develop applications that coordinate with the ACA-led IES. To ensure coordination, the State's Chief Information Officer (CIO), Sean Vinck, who is overseeing the Framework activities, is significantly involved and one of his staff members is a key member of the workgroup. Additionally, a senior staff member from the State's Department of Central Management Systems (CMS) has recently joined the eligibility workgroup to ensure coordination across the range of State information systems.

- In June 2011, the Illinois Health Information Exchange (ILHIE) posted an RFP for its first major deliverables, including the development of master client and provider indexes. These indexes will be used in the eligibility determination process to ensure identity integration across all healthcare programs, even when clients are receiving services via private insurance purchased on the Exchange. The ILHIE CIO is an active member of the workgroup.
- DHS has been extremely involved in the workgroup, including representatives from their policy and information system divisions. DHS recently received a grant from the Ford Foundation to streamline eligibility and enrollment efforts across the many programs that use DHS regional offices.<sup>1</sup> While most of the Ford Foundation work will focus on local DHS office development, the planning effort recognizes the need for close cooperation with the ACA implementation development.
- Though not directly related to standing up the Exchange, cooperation continues between the Illinois Department of Public Health (IDPH) and other agencies. For instance, in May, IDPH and HFS collaborated on a grant application to extend experience from a chronic disease prevention program to a broader range of Medicaid clients. We are awaiting the results of that submission.
- Finally, as mentioned under the “*Stakeholder Engagement*” section, the State has assembled a team featuring representatives of DOI, HFS, DHS, and the consumer and patient advocate community to participate in the Enrollment UX 2014 project sponsored by the California HealthCare Foundation in partnership with IDEO and CMS.

## Exchange IT Systems

The State is approaching Exchange IT systems planning using a three-step process. The first step is identifying existing technologies that can be leveraged and should be maintained. The second is determining which technologies must either be borrowed from early innovator states or purchased as commercial off-the-shelf (COTS) products or through other means. The third and final step is identifying the Illinois-specific modifications and integrations that must be made to establish a seamless and integrated system that operates using the most advanced technologies and flexible architecture, as encouraged by the federal government.

As noted in the “*Program Integration*” section, the State has focused much of its current effort on the first step – identifying existing technologies that can be leveraged or should be maintained. The State has made significant progress in understanding the technical aspects of incorporating the eligibility systems for public health care programs necessary to meet the minimum requirements of the ACA. Assistance from the consultants working on the Needs Assessment project has directly informed the IT Gap Analysis, including a

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<sup>1</sup> In Illinois, the vast majority of human service enrollments are done in local DHS offices. Because of common requirements and enrollment system for SNAP and TANF, most Medicaid enrollment also takes place in local offices. However, CHIP enrollment—where clients are not typically eligible for TANF or SNAP—is more heavily automated, with almost two-thirds of applications starting with an on-line application.

visual and written description of existing eligibility systems. Once completed, the final Needs Assessment report will provide a significant amount of information to the State about the costs associated with the technical requirements of an Exchange and options for transitioning the existing infrastructure to a system that meets the requirements, and will assist the State in choosing a final option for IES and moving forward with the technical planning and development. While awaiting the recommendations included in the Needs Assessment report, the State has identified major IT milestones to be achieved and incorporated them into the attached Work Plan.

Outside of the State's existing eligibility systems for public programs, there are few programs or IT infrastructure the State expects to leverage for the Exchange. Nonetheless, the final Needs Assessment report will suggest some technology that could be leveraged, such as the premium calculator available on the website for the Illinois Comprehensive Health Insurance Program (ICHIP – the State's high-risk pool) or the All Kids online application program. However, it seems clear that aside from small pieces such as this, the bulk of the IT technology for the Illinois Exchange will be borrowed from early innovator states, purchased as a COTS technology, or otherwise obtained and modified to meet Illinois' unique needs.

The State will also use the Needs Assessment report findings to accomplish significant portions of steps two and three in the State's Exchange planning process. These steps include the design and development phase and establishment of minimum mandatory operations that must be accomplished by the Exchange such as the premium calculator. Interfaces must be designed to facilitate communication with outside entities, including consumers, employers, carriers, federal databases, and other stakeholders interested in leveraging the Exchange. The State's plan for identifying the business functions and transitioning to the detailed design phase are described in greater detail in the "*Proposal to Meet Program Requirements*" section.

Finally, the State intends to take into consideration the final outcomes of the Enrollment UX 2014 project sponsored by the California HealthCare Foundation in partnership with IDEO and CMS when designing the consumer side of the Exchange. This project is described in greater detail under the "*Business Operations*" section of this document.

The State has relied heavily on existing State staff within HFS, DHS and DOI, and assistance from the Needs Assessment vendors to conduct the work thus far on Exchange IT systems. However, it is clear that a comprehensive staffing structure is necessary to ensure that IT planning for the Exchange is conducted in a timely and comprehensive manner. The State's plan to address this lack of staff capacity is in the "*Proposal to Meet Program Requirements*" section.

## **Financial Management**

Additional detailed information, including multi-year financial modeling of the Exchange's operating costs and revenues, is required to complete the financial sustainability portion of Exchange planning. This information is key to making an informed decision about a long-term sustainability mechanism. The Needs Assessment project will define the costs of establishing and maintaining an Exchange, provide an analysis of financing options, and incorporate a description of the requirements of the federal law as it relates to finance, such as identifying appropriate accounting and auditing standards. Preliminary recommendations to the State included descriptions for management positions within the Exchange, including Executive Director, Chief Financial Officer, Chief Operating Officer/Deputy Director, Chief Information Officer, Chief Marketing Officer, Chief Communications Officer, Director of Individual/Non-Group Programs, and Appeals Unit Manager. In advance of the final Needs Assessment report, the State identified major milestones required to be addressed and incorporated them into the attached detailed Work Plan.

As the State is currently awaiting recommendations from the Needs Assessment report and Legislative Study Committee, no specific funding mechanism is included in any of the State's preliminary enabling legislation.

However, the State is confident that the General Assembly will provide authority this fall for the Exchange to be financially self-sustaining beginning January 1, 2015, as required by the ACA.

The State has properly accounted for federal funds received pursuant to the Exchange Planning grant and State-mandated reimbursement and payment processes have been applied to all grant funds. All disbursements must be approved by the Grant's Authorized Representative before funds are drawn down from the federal account through the HHS Division of Payment Management. Once released from the federal account, the funds are separately paid out through the State Treasurer's Office, a process requiring the submission of forms to the Treasury Banking and Warrant Divisions as well as the State Comptroller's Office. The State will continue to employ this thorough process for financial management with funding received through the Establishment Grant program.

### **Oversight and Program Integrity**

Exchange Project Directors will work with the Legislative Study Committee to ensure that a process is developed that is in compliance with Section 1313 of the ACA.

As discussed above in the section entitled "*Financial Management*," the State has established a sophisticated process to ensure the proper use of Grant funds. The State has also developed and submitted its Quarterly Reports and other required information on time and in compliance with federal requirements, and has participated in all monitoring calls with HHS officials.

Federal Grant funding is subject to the State's Internal Audit Act (30 ILCS 10/2003), which requires a review at least once every two years of the obligation, expenditure, receipt, and use of public funds. Grants related to the Exchange are subject to auditing by DOI's internal auditor.

### **Health Insurance Market Reforms**

The State has made significant progress toward implementation of health insurance market reforms contained under Title 1, Subtitles A and C, of the ACA. On May 14, 2010, DOI issued a Company Bulletin that outlines the steps required if an insurer intended to submit and receive expedited approval for amendatory policy language that complies with the ACA reforms scheduled to take effect September 23, 2010 ([CB 2010-04A](#)).

DOI has applied for and obtained \$1 million in federal funding under the Health Insurance Premium Review Cycle 1 Grant to develop the infrastructure necessary for carrying out premium rate review. Specifically, DOI is increasing actuarial and insurance analyst staffing and investing in technology necessary for increased collection and analysis of premium data; developing protocols for the collection, analysis, and publication of premium rates; and seeking authority to deny unreasonable premium rates or rate increases. DOI has developed a new web portal to collect premium information not available through the SERFF system, and issued a Company Bulletin to inform insurers of the new system ([Company Bulletin 2011-02](#)). Legislation to give DOI authority to collect and accept or reject premium rate changes was introduced in the Illinois General Assembly (HB 1501), but did not pass during the spring legislative session. DOI is evaluating whether to issue a company bulletin or initiate rulemaking in order to fully comply with HHS rate review requirements. The State intends to comply with all federal requirements relevant to the review of "unreasonable" premium increases in Illinois.

In addition, legislation was introduced to incorporate ACA provisions related to: Medical Loss Ratio (SB 1618), woman's health care providers, coverage of preventative services, annual and lifetime limits, reinstatement of coverage, choice of health care professional, access to pediatric care (SB 1812), patient protections, coverage of emergency services, coverage for children with preexisting conditions, and health insurance rescissions and notice and hearing (SB 1812), and formation of Health Care Cooperative Programs eligible for ACA funding

(HB 3266). Legislation bringing the State's external review process in compliance with ACA regulations (HB 224) was passed by the General Assembly this spring.

### **Access to Assistance, Coverage Appeals, and Complaints**

The State, primarily through DOI and HFS, already provides robust assistance to individuals applying for coverage through public programs and individuals and small businesses seeking to navigate the complex private insurance market. DOI, through its Consumer Services Section, Office of Consumer Health Insurance, and the Uninsured Ombudsman Program, currently provides assistance to and advocates on behalf of Illinoisans in all coverage situations. DOI assists consumers by investigating complaints against health insurance companies and advocating or interceding on the consumer's behalf. DOI also assists consumers when it does not have regulatory authority over the policy at issue, including, for example, with self-insured plan disputes. Additionally, DOI staff have years of institutional experience guiding consumers through internal appeals and external reviews and can initiate an internal appeal or request for external review as an "authorized representative" of the consumer.

DOI works with uninsured individuals to understand and identify the coverage options available to them. In coordination with various State and local agencies, DOI employs a database of local resources that provide medical services to the uninsured and underinsured populations and provides referrals to State and federal resources or programs. For individuals who have lost or are about to lose employer group coverage, staff provide information about State and federal continuation rights. DOI staff also provide consumers with guidance about shopping for insurance. In any given year, the Department investigates upwards of 4,000 formal complaints against health insurers and respond to additional tens of thousands of questions and inquiries submitted by individuals and small business.

For all of its current capacity and past successes advocating for Illinois consumers, the State understands that much room for improvement exists. Illinois applied for and was awarded a Consumer Assistance Program (CAP) Grant by CCIIO in October 2010. DOI is using the grant to conduct a comprehensive evaluation of the existing capacity and efficacy of its consumer assistance services, to build capacity by hiring additional staff, and to implement other structural, procedural, and technological improvements.

In February 2011, DOI issued an RFP entitled *Independent Evaluation of Consumer Assistance Services* (IPB Reference #22020805). The RFP requested a quantitative and qualitative assessment of the effectiveness of DOI's health insurance-related consumer assistance activities that will include a survey of customer satisfaction, an analysis of DOI policies, procedures, and consumer files, recommendations on how to track and improve DOI consumer assistance performance, and an evaluation of current data collection practices and case management software. The RFP will also deliver an assessment of any barriers currently impeding or preventing individuals from utilizing consumer assistance services. The State expects to execute a contract with the winning bidder within the next 4-8 weeks. A final report is to be delivered within 90 days of the project's launch.

DOI has also begun to hire staff through the CAP Grant. A Quality Assurance Manager, charged with monitoring existing consumer assistance activities and implementing the recommendations pursuant to the RFP, begins work this month. A Consumer Information Officer and Assistant Consumer Information Officer, whose primary responsibility will be the development of a Consumer Assistance Portal (discussed in detail in the corresponding section of the Proposal to Meet Program Requirements below) are expected to begin work within the next 4-6 weeks.

The State has already begun work on an Exchange Needs Assessment, as described above. This assessment will produce a report detailing the ACA requirements related to resolving problems encountered by individuals and

small businesses participating in the Exchange, including appeals of coverage decisions and complaints. The State will ensure all such requirements are included in the technical planning process and has already worked to identify such requirements as detailed in the Work Plan attached to this application. The Needs Assessment report will also provide cost estimates and work steps for business operations of the Exchange related to consumer assistance, including the toll free hotline, the eligibility determination process for the Exchange and public programs (discussed at length above), and the navigator program. The State will coordinate activities undertaken through each of these grants to ensure the most efficient use of time and funds.

## **Business Operations**

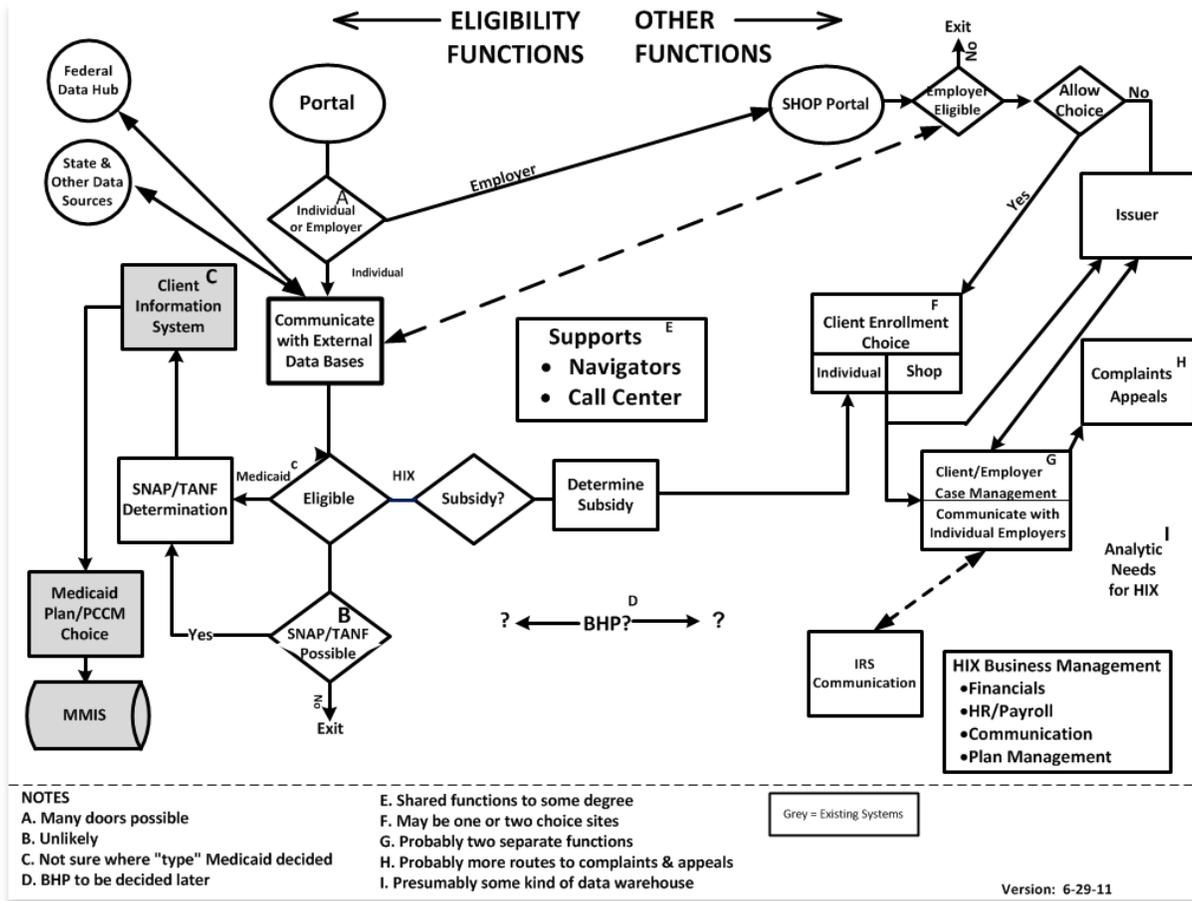
The Needs Assessment report will provide an in-depth analysis of the business operations and mandatory Exchange functions required by the ACA. Based on this information, the State will make certain that all requirements are incorporated into the technical planning process. Each ACA requirement that necessitates State action is included as a milestone in its evolving planning document. As evidenced in the Work Plan submitted within this application, the State has already spent considerable time identifying such milestones. Working with the Needs Assessment consulting team, the State has divided business operations into two distinct categories: those purely related to Exchange operations and those related to integration with other State programs. In most cases, DOI has assumed responsibility for Exchange operations tasks while HFS has assumed responsibility for those related to program integration.

With regard to integrated eligibility, the State has made notable progress by capitalizing on existing State staff and resources. However, the State does not have the same level of existing resources applicable to business/IT operations for the Exchange. Illinois operates two high risk pools, one funded with State resources (ICHIP) and one as created by the ACA (IPXP). While ICHIP provides some infrastructure in terms of a governing board, the State has not identified ICHIP as a plausible comprehensive model for the Exchange. The final deliverables of the Needs Assessment are expected to inform these decisions.

DOI has worked with the HMA team to identify staffing needs associated with many of the Exchange business operations. While the State is awaiting the results of its Needs Assessment report to begin formal planning and implementation of business operations, advanced preparation has already been initiated in some categories. For instance, DOI staff has met with Tia Goss Sawhney, HFS Director of Research and an expert in the field of risk adjustment, to develop an understanding of State options and responsibilities related to risk adjustment and controlling indirect selection in the Exchange. Ms. Sawhney will continue to be a resource for Exchange planning, as noted under the “*Proposal to Meet Program Requirements*” section.

The State has also carefully monitored federal guidance and regulations related to Exchange business operations, including the CMS Guidance for Exchange and Medicaid IT Systems, the Plan Management Blueprint, and the Eligibility and Enrollment Blueprint, to ensure all Exchange operations are developed in compliance with such federal requirements.

The following schematic shows how the State currently envisions Exchange operating systems. The following are two relevant considerations:



- The State separates the IES from the remainder of Exchange Business Operations/IT for design purposes. This is a division in authority for these functions, as the State will require mutual decision making by the Exchange and the Medicaid Agency. The purpose is to establish zones of development and design responsibility – not to divide systems.
- The attached schematic assumes enrollment functions (*i.e.* eligibility) in the Exchange as being outside the scope of the IES. The model anticipates a single entry point for individuals, whose eligibility for Medicaid or the Exchange will be determined. Once an individual is determined as Exchange-eligible, the application process will shift to the Exchange pathway, though an invisible transition to the applicant. The State wants to preserve the option to use the same enrollment mechanism for individuals in the SHOP Exchange.

The option to borrow from Early Innovator states, use COTS software, or other external acquisition for the Exchange is very important to Illinois. The State has virtually no existing infrastructure for Exchange business operations/IT. With so many other states in the exact same position, Illinois’ planning team recognizes vendors will be creating systems that states can purchase (Early Innovator states being a key resource), or collaborate to purchase common software or common hosting services.

## **Proposal to Meet Program Requirements**

The proposal below details activities that will fill gaps identified in background research, contribute to planning for the operation of an Exchange, and assist the State in engaging key stakeholders. All of this work will inform the legislative formation of Exchange enabling legislation that meets the requirements of the Level II Exchange Establishment Cooperative Agreement grants. The ultimate goal of this proposal is to complete the planning portions of the Exchange and develop as part of the State's six-year operational plan a true business plan for the Exchange. The business plan should anticipate official operations beginning in late-winter/early spring of 2012, and include work plan and timeline that achieves certification of the Exchange by January 1, 2013, operations by January 1, 2014, and fiscal self-sustainability by January 1, 2015.

### **Background Research**

#### *Funding to Complete Existing Research*

As noted in the “*Demonstration of Past Progress in Exchange Planning*” section, the State is working with Deloitte to complete a report on the current state of health insurance coverage in Illinois. The deliverables associated with this project, specifically those related to future trends in coverage, require additional funding to complete. This analysis will include not only baseline projections for the uninsured and insured, but at least two projections based on alternative assumptions about employer behavior and the effectiveness of premium and cost-sharing subsidies. This analysis will inform the Legislative Study Committee and other key stakeholders about appropriate authority of the Exchange to constrain the Exchange marketplace and will be incorporated into the Illinois Insurance Exchange six-year operational plan/business plan.

#### *Extension of the Needs Assessment Project*

The State is also interested in extending portions of the Needs Assessment project to assist the State in understanding the impact of impending federal guidance on the assumptions incorporated into the current Needs Assessment. The State is requesting additional funding to complete this work over the next six to nine months. Each of the following areas fall within the scope of the existing Needs Assessment project and are impacted by impending guidance:

- **Basic Health Program:** It is important to understand the impact of the guidance on the assumptions made in the Needs Assessment. Cost allocations and the State's share, enrollment in the BHP, the feasibility of establishing a BHP in Illinois, and adverse impacts on the Exchange risk pool in the individual and SHOP Exchanges need to be re-evaluated.
- **Risk-Adjustment/Reinsurance:** Illinois needs to understand the implications of new Federal guidance on these two mandatory elements of an Exchange, including the development of plans to operationalize these requirements.
- **Navigator Function:** Illinois needs to understand the requirements for this mandatory aspect of the Exchange and the impact of potential funding options on the Exchange operating budget.
- **Certification of Qualified Health Plans (QHPs):** Illinois needs to understand the requirements for this mandatory aspect of Exchange as it relates to operations and the costs associated with developing and maintaining this process for the individual and SHOP Exchanges in Illinois.

- SHOP Exchange: Illinois needs to understand the implications of new guidance, specifically as it relates to SHOP functions and operating costs. This may also inform the Employer survey and behavioral modeling work mentioned in the subsequent paragraph.

### *Employer Survey and Behavioral Modeling*

Further research is needed on employer-based health coverage in Illinois, including both an employer survey and behavioral modeling of employer behavior based on the results of that survey. The State assumes that most large employers in Illinois will continue to offer health coverage; however, upon exploring the data currently available, the State has discovered a significant lack of Illinois-specific data on the likely behavior of employers. Therefore, the State is requesting additional funding for this effort, which the State is likely to pursue through contracting with a vendor.

### **Stakeholder Consultation**

The State prioritized engagement of stakeholders in Illinois in the process of considering the options for developing an Exchange. This effort includes the identification of stakeholders and contacts in categories such as: consumer and patient advocates, businesses, labor, providers, insurers, producers, other not-for-profits, legislators and other key decision makers, and the broader public. In order to continue efforts, the State will continue to use existing tools, such as the Governor’s Health Reform website, as well as employ new tools, such as an Exchange education toolkit. The State will also need additional resources to plan, to document, and to staff stakeholder engagement projects for the Exchange planning and design phase. Therefore, the State is requesting funding for one additional research assistant in the Governor’s office, funding to maintain the existing research assistant in DOI, and partial funding for a senior policy advisor within HFS. These positions are explained in greater detail in the attached budget narrative.

### *Governor’s Health Reform Website*

The State will continue to use the Governor’s Health Reform website – [www.healthreform.illinois.gov](http://www.healthreform.illinois.gov) – as a tool to educate and inform stakeholders about the State’s Exchange planning efforts. This includes establishing more in-depth web-based educational tools to assist stakeholders in understanding what an Exchange is and why it is important. The website will build on the existing materials DOI has created, as well as present new materials, such as links to federal guidance and Exchange-related meetings and guidance from the U.S. Department of Labor on the “typical employer plan.” The goal of this website is to ensure that there is a single place for stakeholders to access comprehensive, up-to-date information on the Exchange planning process in Illinois and nationally. As before, this site will maintain a function for stakeholders to email the State.

### *Exchange Educational Toolkit*

The content of the Governor’s health reform website will integrate with a new Exchange educational toolkit the State intends to launch. Staff will continue public outreach at stakeholder meetings, state and county fairs, health fairs, and at events for trade associations, non-profit groups, and elected officials. Many of those events require a booth to be constructed, staff to monitor the booth and answer questions, and are most successful when verbal conversations are accompanied by informational materials. In order to educate the public the State would like two different tri-fold pamphlets to hand out at events. These pamphlets will provide a clear and concise overview of an Exchange, how it can benefit the individual or small business, and where more information is available.

The State intends to engage the Illinois Department of Central Management Services Communications Office in the design and printing of these pamphlets by late summer/early fall. The State intends to use them at all

public appearances related to health reform and the Exchange, as well as DOI mailings on other relevant requests for assistance related to health care coverage.

### *Stakeholder Input on Exchange Operations*

As required by the ACA, the State intends to engage all stakeholders in an open process for the planning of different Exchange functions. These include:

- Developing Exchange operations that meet the needs of individual market consumers and small businesses;
- Developing a Navigator function that meets the unique requirements of Illinois' existing education and outreach infrastructure for public and private coverage;
- Updating the eligibility determination for public programs and Exchange subsidies;
- Developing a successful consumer experience in the Illinois Exchange;
- Exploring options to address churning between public and private Exchange coverage;
- Developing an appropriate risk-adjustment and reinsurance mechanism for health plans in Illinois; and
- Considering the essential health care benefits for plans in Illinois and the future of state-mandated health benefits in current law.

The State will engage stakeholders on these issues using three different tactics:

1. Large-scale public meetings;
2. Open stakeholder workgroups with regular meetings; and
3. Public requests for comment on different issues.

All meetings, meeting materials, requests for public comments and other planning documents will be posted on the Governor's Health Reform website. The State will depend on Exchange planning staff, as proposed in this application, to assist with the logistics of the meetings/events.

### **State Legislative/Regulatory Actions**

The State is preparing for a short and intense deliberative process by the Legislative Study Committee, noted under the "*Demonstration of Past Progress in Exchange Planning*" section. This study committee is tasked with, at a minimum, exploring the following:

1. The governance and structure of the Illinois Exchange;
2. Financial sustainability of the Illinois Exchange; and
3. Stakeholder engagement, including an ongoing role for the Legislative Study Committee or other legislative oversight.

The final report to the State's executive and legislative branches is due no later than September 30, 2011. It must include findings on the operational model for the Exchange; the size of the employers to be offered coverage through the Exchange; coverage pools for individuals and businesses within the Exchange; and the development of standards for the purchase of coverage for full-time and part-time employees and their dependents.

Staff from the relevant State agencies and departments met with legislative staff in June, and, along with contractors assisting the State, will be providing assistance. The final Background Research and Needs Assessment reports will be presented to the Study Committee for their consideration.

Hopefully, the Legislative Study Committee's report will recommend an Exchange establishment bill that meets the minimum requirements to obtain Level II funding. This legislation will be considered during the General Assembly's Veto Session in fall 2011. Once that legislation is signed into law by the Governor, the State will be able to complete mandatory planning in advance of a Level II Establishment Grant application in March 2012. All of this has been incorporated in a step-by-step process in the attached Work Plan.

## **Governance**

Governance will be included in the Legislative Study Committee's report. Once there is a statute defining governance for the Exchange, the State will incorporate this structure into the State's six-year operational plan, and build a comprehensive staffing and reporting structure. Some positions have already been identified as part of the State's Needs Assessment report

During the spring/summer of 2012, it is expected that a charter will be developed for the Exchange that will include standards for accountability, transparency, and conflicts of interest. The State intends to incorporate into the administrative structure all of the minimum requirements on these topics included in federal statute and rules. The specifics related to those rules have yet to be articulated, but the State will commit to work with HHS to ensure it is meeting all the minimum requirements in a satisfactory manner.

## **Program Integration**

### *Interagency Working Group on Integrated Eligibility*

One of the key mechanisms to ensure program integration is the integration of policy and process that will be expressed in the State's approach to eligibility and enrollment.

As described in the State's Advanced Planning Document (APD) submitted to the Center for Medicare and Medicaid Services (CMS) concurrent with this application, development of an IES will focus initially on a joint process for Medicaid and the Exchange. This eligibility system will include, at a minimum, the rules engine that the Exchange and other programs will use to test eligibility for coverage and Exchange subsidies. The next steps in the development of the IES are:

- To establish a Project Management function;
- To develop the detailed specifications necessary for an IAPD, including an RFP; and
- To continue the process of incorporating evolving policy options into the IES rules engine.

Efforts around the IES will require active participation of HFS as the Medicaid agency, DOI as the agency currently leading Exchange planning efforts, and DHS as the agency with most of the current eligibility infrastructure for public assistance programs. Technology and business processes must be integrated and policies must be coordinated to ensure that our application approaches are "seamless".

The inter-agency planning group, which has been meeting since fall 2010, will manage of the planning (and subsequent detailed design and implementation efforts) of the IES. Based on recommendations from our Needs Assessment vendor, five specific IES work groups are being established to focus on different aspects of the system. These workgroups will include people from all impacted areas of State government. A Project Management Office will be established under the IES Oversight Group, with specific resources assigned to each work group and with specific requirements for insuring that the needs of both Medicaid and the Exchange are fully met. These will be provided through the budget for the IES, which includes an allocation to the Exchange

(addressed below), enhanced Medicaid match, and required State funding. The work will consider both technical and substantive aspects. The groups include policy, business operations, consumer experience/outreach and internal change management.

The Office of Health Information Technology (OHIT), which is currently developing the Illinois Health Information Exchange (ILHIE), will continue to be involved, as will other agencies with a substantive stake in the development of the IES. (For a fuller description, see the Illinois APD submitted on June 30, 2011.)

### *Intergovernmental Agreements*

In late summer/early fall 2011 the State expects to execute additional intergovernmental agreements (IGAs) between DOI, HFS and DHS, DPH, and OHIT. These agreements will permit DOI to provide grant-funded support as necessary to these departments for the work related to Exchange planning and establishment.

The IGAs will also allow the Exchange Planning team to efficiently access existing relevant resources and materials from these entities. This includes aspects of OHIT's Health Information Exchange planning, such as the Master Patient Index or their Privacy and Security Portal, as well as the ability to plan for health systems information to feed (as appropriate) into the population health goals driven by DPH. DHS has and will continue to play a significant role in the work related to program integration both because they house existing eligibility systems, and because they operate eligibility and enrollment offices around the State.

### **Exchange IT Systems**

As noted in the "*Demonstration of Past Progress*" section, the State approaches the development of Exchange IT systems using a three-step process: Identify existing technologies that can be leveraged and should be maintained; Determine which technologies must be built or purchased and integrated; and Identify Illinois specific modifications and leverage flexible IT architecture to ensure seamless integration for the consumer. The goal of this grant request is to bolster the State's efforts to achieve steps two and three of the planning process

### *IT Staffing Team for Illinois Exchange (HIX)*

To this point, the State has depended entirely on existing State staff with some assistance from the vendors to provide guidance on the IT aspects of Exchange planning. However, it is clear that the Exchange Planning team needs to add a full-time position dedicated solely to the IT aspects of Exchange planning, including project management and vendor management for the next two phases of Exchange IT planning and design. Therefore, the State is requesting additional funding to hire an Exchange (HIX) Project Manager in DOI on a one-year contract to support all IT aspects of the Exchange planning beginning in fall 2011. This individual will report to the DOI Exchange Project Director, and be responsible for day-to-day management of contracts as they relate to Exchange IT.

The HIX Project Manager will also assist in developing Exchange-related policies and regulations, including incorporation of relevant federal guidance, to ensure Exchange IT systems are designed and implemented in compliance with federal and state standards, including HIPAA.

### *IT Staffing Team for Integrated Eligibility System (IES)*

The bulk of costs for the IES will be vendor costs. This work will also require time from existing State staff located in HFS and DHS. Additionally, the State intends to contract (through personal service contacts or vendor procurement) project management separate from the DDI vendor to provide assistance in managing the

DDI vendor on a day-to-day basis. These contracts/procurements will be separate from the Independent Validation and Verification vendor, which will presumably be the same vendor assisting with the development of the RFP for the DDI vendor. An IES Project Director based in HFS and the eight project analysts will be added through whatever mechanism works best. The Project Director and analysts will be added as soon as possible, although given various State procedures, they will probably not be hired and working until October 2011.

As described above, primary oversight of this IES project will come from the Eligibility System Oversight Group. Reporting to that group will be an IES Project Director and, tentatively, five workgroups. The State anticipates that the project analysts will support the workgroups as shown:

Policy	2 Analysts
Business Operations/Change Mgmt	2 Analysts
Consumer Experience	1 Analysts
Technology	3 Analysts

Additionally, we anticipate seven new staff members. Two of those will be involved with the development of the centralized registration unit and they will not be hired until roughly July of 2012. The other five will be additional IT staff. It is difficult to specify exact needs even before the DDI RFP has been drafted, but it is almost certain that the State will need additional staff with experience in technologies that are not currently heavily used in the State. There is relatively little existing expertise in rules engines and web based applications. State IT staff will be hired in spring 2012, at the same time DDI work launches so that they comprehensively understand the system.

Finally, as suggested above, there will be considerable demands on the time of existing State staff. Accordingly, we have estimated hours of involvement from various staff in DHS and HFS. Times are allocated primarily in relation to the above workgroups

### *Illinois HIX – Design and Procurement of Operating System*

Although federal administrative guidance to assist in the planning efforts has not yet been released, the State has reviewed the Plan Management Blueprint and the Eligibility and Enrollment Blueprint to formulate a development plan for the Exchange IT Systems (i.e. Illinois HIX). Based on this information and conversations with both HHS and the State’s planning vendors, Illinois anticipates that, outside of the IES, it will acquire virtually all aspects of an Illinois HIX system, as opposing to developing them internally. Ideally, Illinois will leverage technology developed by other states, particularly the Early Innovators. However, at this point it is not clear what will be available from those sources and, to meet compliance timelines, it may be more expedient to use COTS products or similar alternatives.

The basic design of the Illinois approach assumes the IES will be developed on a parallel track to the HIX operating system, insuring coordination at each stage of development. The HIX operating system will encompass an initial user interface that is integrated with the IES that determines eligibility. Once a person is determined eligible to purchase insurance on the Exchange, the applicant, along with all information gathered up to this point in the process, will move seamlessly through the HIX operating system. The HIX operating system will own all the back-end minimum mandatory functions of an Exchange under the ACA as they relate to individual plan choice, enrollment, processing, and management of individual and employer-based private health insurance coverage. Illinois expects that development of the HIX operating system will be undertaken by a System Integrator vendor, who will be responsible for working with DOI/Exchange staff to design a compliant, customer friendly system; for procuring components of the system; and for undertaking any custom design necessary to modify components for any Illinois-specific modifications to these mandatory minimum

functions of the Exchange. The State anticipates using a combination of State staff, consultants, and SI resources to closely monitor and assess the outcomes of the Early Innovator grants and to support Illinois-specific analysis of potential COTS solutions

Beginning in July 2011, the State will design an RFP for a system integration (SI) vendor to undertake the detailed system design, assist with procurement, and provide component integration, external interfaces, necessary customization, and testing and tuning, and maintenance through the launch and first two years of the Illinois HIX. The winning SI vendor will have primary responsibility for:

- Detailed design of the system integrator functionality;
- Building or subcontracting to build system integration functions;
- Providing input to the State in analyzing options for the purchase of COTS—or other leveraged solutions--
- Primary Responsibility for integrating unique system functionality and unique Illinois preferences in HIX design features and IES with the externally acquired HIX software and IT functionality; and
- Primary Responsibility for supporting the State in the final production, launch and immediate term maintenance of the Illinois HIX.

The State is requesting funding to procure the SI vendor for the Illinois HIX. This funding does not include the costs associated with the purchase of COTS, or other externally acquired technology, which will be addressed in the next grant cycle.

#### *Integrated Eligibility System (IES) – Planning and Detailed Design*

The State anticipates a two-stage approach to designing its new IES, of which only the first stage primarily impacts the Exchange as it must be completed, including testing, by October 2013. During the first stage, the State will develop new system elements (including leveraging Early Innovator and other state technology and COTS to the extent appropriate). The work anticipated for the first stage will use a single portal entry and connect to the Federal Data Hub, and, perhaps, State and other external data bases to draw information into a rules engine that will determine Medicaid and Exchange eligibility.

- Applications from individuals or families not eligible for Medicaid will be routed to the HIX operating system. The HIX operating system will have full access to all information collected in the IES inquiries at all times.
- If the rules engine determines an applicant is Medicaid eligible, it will assemble the relevant information and transmit that information to the existing Client Information System (CIS) mainframe application. Until the CIS is replaced in the second stage, it will process information from the rules engine similarly to how it currently processes information, including passing it to the MMIS.

Work on the IES during this grant period has two components -- a planning phase and the beginnings of DDI phase. The current grant is seeking funds that will cover the Exchange portion of the costs of the IES through June 30, 2012.

- The planning phase will focus on the definition of requirements leading up to an IAPD, including an RFP for the DDI vendor. The goal is to have the RFP approved and posted by December 2011 and to have the DDI vendor on the ground by March 2011. This effort will involve substantial commitment of current State staff and, as quickly as can be obtained, a planning vendor. Costs will be allocated with the Medicaid/CHIP program and is the subject of a separate PAPD submitted concurrent with this submission.

- The DDI phase will start as soon as the vendor can be secured, hopefully by March 2012. Costs will be allocated with Medicaid/CHIP based on the allocation formula approved as part of the IAPD.

## **Financial Management**

While the State has thus far sufficiently and appropriately managed all Exchange grant funds, more staff time will be required going forward on financial management of federal Exchange grant funds. With the expectation of numerous new staff and additional procurements, the State is requesting that two fiscal grants specialists be hired and dedicated solely to financial management of all ACA Exchange grant funds. One individual will be hired on a one-year contract to be based in DOI with responsibility to manage and track all existing Exchange grants separately and by quarter, draw down funds from the federal account to the appropriate state accounts for payroll and other necessary invoices, conduct all financial reporting on a quarterly and annual basis to the federal government and the State, and provide assistance to both internal and external auditors as it relates to all federal Exchange grants. This position will eventually transition on a more permanent basis to the Exchange, once it is established. The second will be based in HFS and, in coordination with DOI, will take on primary responsibility for management of all IES project team expenses and accounting, and communicating those to the DOI grants specialist. The State is requesting additional funding for these positions over the next year.

The State has incorporated into its Work Plan all of the mandatory activities articulated under Appendix B of the funding opportunity announcement. Using that guidance, the State has outlined a Work Plan going forward to establish both a permanent financial management team and an operational plan for the Illinois Exchange. Hiring of financial management staff (and transition of existing staff) for the Illinois Exchange will not begin until the actual structure is in place (spring 2012), but descriptions for the positions will be completed as well as a draft staff organizational chart as part of the final Needs Assessment report.

### *Risk-Adjustment*

The State has articulated the process for the actual design and procurement of this mechanism (including its operation) under financial management in the attached Work Plan. This plan not only accounts for the initial development and operation of the mechanism, but also anticipates an ongoing process for updating and refining this mechanism once the Exchange has been running for a few years and the insurance marketplace adjusts.

### *Reinsurance*

The State has included in its work plan steps to consider and establish an effective reinsurance mechanism for the Exchange. The extension of the Needs Assessment project requested as part of this application will consider the impact of new federal guidance on that planning effort. This may result in the need for additional expertise, but that is unclear at the time of application.

## **Oversight and Program Integrity**

The State's actions related to the prevention of fraud, waste, and abuse of grant funding will continue to exist in relation to any grant funds provided by virtue of this application. This includes subjecting all funding to the State's Internal Audit Act (30 ILCS 10/2003) and auditing by the Department of Insurance's internal auditor. As noted in the Work Plan, the State anticipates the creation of permanent oversight and program integrity mechanisms in the establishment of the Illinois Exchange, as part of legislation and in the administrative structure for the Exchange.

## **Health Insurance Market Reforms**

With support from the Governor, DOI intends to continue to support legislation that incorporates into state law the insurance market reforms established by the ACA. The agenda items pursued during the spring 2011 General Assembly session that did not pass will be revisited during either the fall 2011 veto session or the spring 2012 legislative session. DOI intends to continue its efforts to fully uphold the law, and will continue to make progress on key reforms related to premium rate review and transparency and education about the rights of individuals, families, and businesses as it relates to health care coverage and the private marketplace.

## **Individual and Small Business Appeal/Complaint Assistance**

The State will continue to build capacity and improve the effectiveness of consumer assistance services through the CAP Grant, as described in the corresponding section above. Among other key improvements, the CAP Grant is funding the development of a Consumer Assistance Portal to provide “one-stop shopping” for all of the State’s consumer assistance services. The Portal will provide easy and immediate access to existing services allowing individuals and businesses to: file a complaint against a health insurer, request an independent external review of a denied health insurance claim, ask a question or request assistance from State experts, access information about the Illinois health insurance market and important rights and responsibilities under State and federal laws, including the ACA, learn about affordable health insurance options (through, at a minimum, a link to [www.healthcare.gov](http://www.healthcare.gov)) and apply for coverage under both public and private plans. The Portal will incorporate interactive tools enabling consumers to access marketplace and insurer-specific information made available pursuant to the ACA, including rate review information and medical loss ratio data.

DOI has, for years, collected and analyzed data regarding the complaints and inquiries it receives from Illinois health insurance consumers. The resulting observations and recommendations have, in turn, informed DOI’s policy agenda and advocacy on behalf of Illinois consumers. The State will continue this process of data collection and analysis—and will supplement the DOI data with new data from additional sources, including the Needs Assessment and Background Research projects.

## **Business Operations**

While the State is awaiting the final deliverables of the Needs Assessment report, the State did develop a detailed preliminary work plan to address each of the mandatory functions listed under business operations, as well as others. The process and timeline for developing each of these functions is accounted for, and the State included all mandatory activities noted in the Appendix B of the funding opportunity announcement. The primary functions include the following:

- Certification, Recertification, Decertification of Qualified Health Plans and Quality Rating
- Health Coverage Eligibility Determinations
- Enrollment and Billing Process, including applications and notices
- Administration of Premium Tax Credits and Cost-Sharing Reductions
- Individual Responsibility Determinations
- Information Reporting to IRS and Enrollees
- SHOP-Specific Functions
- Employer Responsibility -- Notification and Appeals
- Exchange Consumer Interface/Web Portal and call center support
- Exchange Outreach and Education – including a comprehensive outreach strategy, informational website, and navigator program.

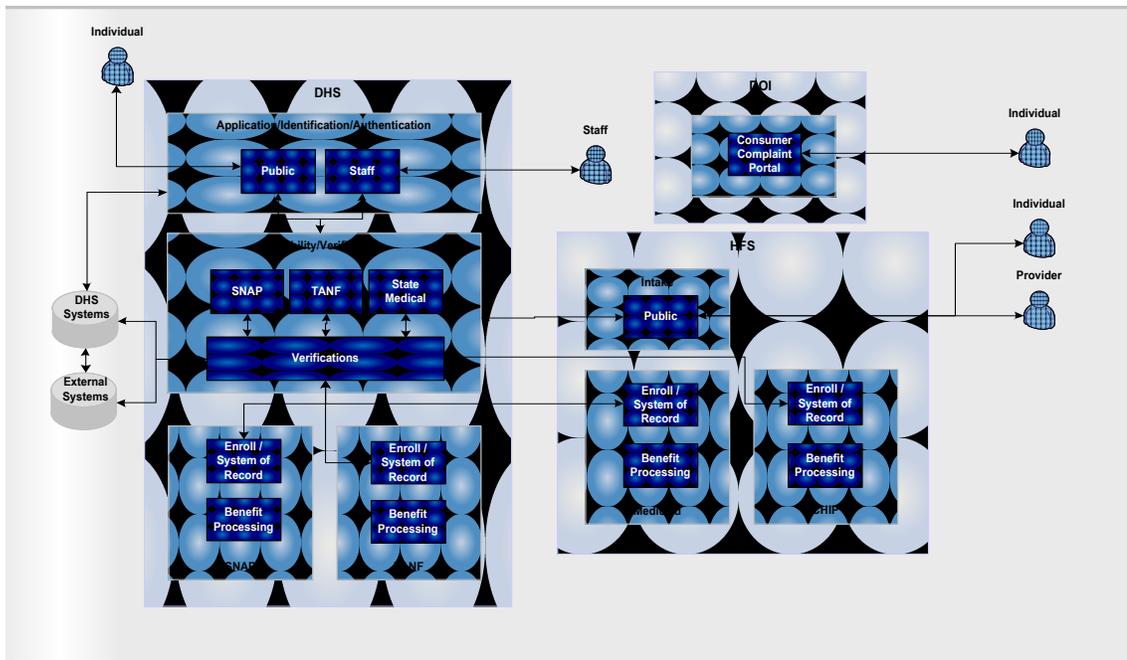
Some of these specific topics will begin to require planning in fall 2011, in coordination with key stakeholders, including certification of qualified health plans, SHOP-specific functions, the Navigator role, the consumer experience and shopping through the web portal. Additionally, the State expects to contract with a vendor to assist with detailed design of the IT elements specific to Illinois around many of the business operations, and will assist the State in exploring technology from Early innovator states.

## Summary of the IT Gap Analysis

The State has conducted an initial IT Gap analysis. Illinois' existing application infrastructure relevant to the HIX consists of a Client Information System (CIS) which includes an integrated eligibility determination processes for Medicaid, State-only funded medical programs, SNAP and TANF. The system is over 30 years old and existing functionality does not meet the requirements of the ACA. Specific plans and funding requests related to the eligibility determination system are covered in a separate APD, being submitted to CMS at the same time as the submission of the State's Level One application.

## Illinois' Current Environment

s Exchange IT – Current State



1/6/9/2011

In the future, applicant/client data collection for clients seeking medical insurance benefits will occur within the new eligibility front end contemplated in States' project plan, with an eligibility determination made that routes the applicant through either a "Medicaid processing" system or an "Exchange (HIX) processing" system. Although individuals interacting with the HIX system will be exposed to a seamless interface, applicants who are diverted to the HIX processing path will subsequently interact with the systems to support the HIX.

Within the HIX system processing environment, all other functionality associated with the operations of the Exchange will be addressed. This includes supporting systems applications for such items including, but not limited to, the following:

- 1) The SHOP Exchange;
- 2) A Navigator program to assist applicants in comparing and selecting a health plan that best meets their needs;
- 3) Calculation of premium tax credits and cost sharing reductions as applicable;
- 4) Call/on line contact center for small businesses and individuals requiring assistance;
- 5) Enrollment facilitation into the applicant's selected plan;

- 6) Payment setup and premium collection/management;
- 7) Ongoing capability for individuals and businesses to receive updated information regarding the Exchange and its offerings, as well as the ability to easily view and update their information;
- 8) Management of qualified health plans, including certification and quality rating; and
- 9) Other functions of the HIX as required or determined necessary.

#### *a. Technical Architecture*

As a component of the work performed under the Needs Assessment project, CSG provided a review of Illinois' existing systems and their potential utility in meeting federal requirements for an Exchange. Given the age of the systems, technology involved, and the shortage of qualified technical staff both internal to State government and in the broader marketplace to support them, CSG recommended the acquisition of new systems in order to meet the requirements of the HIX. Therefore the State expects to purchase COTS products to the greatest extent possible.

Illinois intends to work with a systems integrator to acquire and install an integrated HIX environment, to include one or more COTS products, with customization as required, likely to be hosted at an external data center environment, to meet the needs of the HIX.

Eligibility determination (Medicaid or HIX) will occur within the new IES described elsewhere. Illinois will have close coordination and integration between the Eligibility project and the Exchange project in order to ensure that appropriate data integration and sharing occurs in order to support clients in a seamless and transparent fashion. Both projects will emphasize Service Oriented Architecture (SOA) to ensure effective interoperability and communication across modules as will be required by currently defined Exchange functionality requirements, and set the stage for integrating future, not yet defined, application capabilities.

As the IES and the HIX operating system will have only one point of contact, Illinois' existing technical infrastructure places no technical constraints on the "to be" architecture that will be selected to support the HIX operating system. As such, a "best of breed" approach, involving selection of a product suite that, when integrated and customized for specific Illinois' needs, will best meet the needs of the Illinois HIX is contemplated.

#### *b. Applicable Standards*

##### *i. ACA Section 1561 Recommendations*

Illinois intends to incorporate National Information Exchange Model (NIEM) standards adherence as a mandatory requirement for any products that will be purchased to be included in the integrated product suite that supports the processing needs of the HIX. Any custom software which may be developed, either as part of the system integration effort, or as may be required to meet Illinois' specific requirements, will be required to adhere to NIEM standards.

##### *ii. HIPAA*

The selected architecture and application product suite will be required to support all standards related to HIPAA, with an emphasis on extensibility that will allow for future enhancements as HIPAA rules evolve. Specific areas of technical and process/operations functionality to be addressed include, but are not limited to the following:

- Security Management and Audit Controls;

- Information Access Management and Workstation and Device Security;
- Role based system and data access controls;
- Data Access Surveillance and detailed transaction logging;
- Data Transmission Security;
- Workforce Education; and
- Suspected or Actual Security Breach Reporting.

### iii. Accessibility for individuals with disabilities

Illinois requires that all systems comply with Section 508 of the Rehabilitation Act of 1973. Applications products/systems purchased or developed to support the requirements of the HIX will be required to address the visual, hearing, motor, cognitive and other disabilities intended to be covered by the Rehabilitation Act. Systems selection, development and testing will include participation by representatives of Illinois Office of Accessibility to ensure that accessibility requirements are appropriately met by the new HIX system.

### iv. Security

In its policies, procedures, and systems operations, the HIX will address Fair Information Practices (FIP) to safeguard consumer information. A key element of the HIX implementation plan will be to define a Security function, with appropriate staffing, as part of the governance/operation of the HIX.

### v. Federal Information Processing Standards (FIPS)

The systems purchased or developed that support the HIX will be required to meet current FIPS that apply to its operation.

## **Evaluation Plan**

Illinois' Level One Cooperative Agreement application requests funding in the following Exchange Establishment Core Areas: Background Research; Stakeholder Consultation; Program Integration; and Financial Management. This evaluation plan includes the following:

- Key indicators to be measured and baseline data to be collected;
- Methods and their efficacy to monitor progress and evaluate the achievement of program goals;
- Plans for timely interventions when targets are not met or unexpected obstacles delay plans; and
- Plans for ongoing evaluation of Exchange functioning once it is operational.

### **Key Indicators to be Measured and Baseline Data**

Planning activities must be completed successfully and in a timely manner in order to establish an Illinois Exchange, as required under the ACA. The attached Work Plan identifies key tasks within each Core Area and assigns a due date to each task. Timely completion of these tasks is a key indicator of success. Progress made toward the completion of each task at the beginning of this Level One funding period will serve as baseline data. Illinois uses Microsoft Project to plan for and track all milestones in the States' planning process. The quality and usefulness of all completed project deliverables will also serve as a key indicator. Ongoing or recently completed deliverable evaluations will be used as baseline data.

### **Methods and Their Efficacy to Monitor Progress and Evaluate the Achievement of Program Goals**

Kate Gross, DOI Exchange Project Director, leads the State's efforts to ensure successful completion of Exchange planning activities. She is aided by Michael Koetting, HFS Exchange Project Director, particularly in Core Area tasks that require coordination across programs. Project Directors evaluate progress against the Work Plan and Timeline, report their findings to planning groups and senior department officials, and document progress in quarterly reports submitted to CCIIO. Thus far this model has allowed the State to meet deadlines successfully. Going forward, the State intends to use Level One funding to hire project managers who will be responsible for ongoing monitoring of planning activities. These managers will report to Project Directors and enable the State to continue robust evaluation and monitoring as planning activities accelerate.

Planning staff at DOI will conduct weekly status meeting under the direction of the DOI Exchange Project Director. Staff primarily includes DOI employees working on Exchange IT, outreach and education relating to the Exchange and consumer protections, and Exchange-related tasks. Other staff is invited as relevant. These meetings allow the team to review upcoming tasks, progress towards goals, and potential issues, and enhance Illinois' capacity to evaluate progress and success.

### ***Vendor Evaluation***

Outside vendors are required to follow a detailed project schedule that includes due dates for key tasks in accordance with the overall Work Plan and timeline. Weekly written reports include the status of each task, list upcoming activities, and identify any issues or project risks that require the attention of Project Directors. These weekly reports are posted on the SharePoint website that is used to ensure coordination across all the staff working core areas, regardless of agency. Vendors are also required to deliver midterm and final reports and communicate with internal planning groups according to need.

## **Timely Interventions When Targets Are Not Met or Unexpected Obstacles Delay Plans**

The State understands the importance of planning for unexpected delays, particularly given the momentum required to have an operating Exchange in fall 2013. Frequent progress reports and communications between Project Directors, staff, and vendors allow the State to quickly identify delays that may jeopardize Exchange establishment.

Currently, weekly vendor status reports identify key issues and project risks. These components allow Project Directors, staff, and vendors to address delays quickly. In this next stage of planning, reports will also categorize issues and risks according to their likelihood of leading to serious project delays. For high level risks, Project Directors, staff, and vendors will develop a plan to mitigate delays, which may include an adjustment to the scope of work, a temporary reallocation of resources, or in rare instances, a written corrective action plan.

## **Plans for Ongoing Evaluation of Exchange Functioning Once it is Operational**

The State is committed to robust and ongoing evaluation of Exchange performance. This will include:

- *Measurement of Core Business Functions* Metrics will address activities conducted by Exchange staff, as well as any specific business functions performed by outside vendors.
- *Stakeholder Feedback.* Continuous feedback from key Exchange stakeholders, including providers, consumers, brokers, and carriers.
- *Impact on Non-Exchange Activities.* Monitoring of any adverse impacts on non-Exchange activities, including the Medicaid Program, other state programs, and non-Exchange insurance markets.