

## Aligning Public and Private Sector Timelines for Health Insurance Exchange Implementation

### Introduction

The Patient Protection and Affordable Care Act (ACA) was enacted to provide Americans with greater access to health insurance coverage while improving health care quality and lowering overall health care costs. Beginning in 2014, as mandated by the ACA, individuals will be able to purchase insurance coverage through health insurance exchanges (“Exchanges”) in the individual and small-group markets. If implemented effectively, these Exchanges provide the potential to increase health care value by promoting managed competition between health plans based on quality and cost.<sup>1 2</sup>

Intended to provide seamless “no wrong door” access to coverage options to an estimated 28 million Americans by 2019,<sup>3</sup> Exchanges will need to be able to enroll consumers into Medicaid, CHIP, or a private health plan depending on their eligibility status. In turn, eligibility and enrollment determinations will need to be made, premium subsidies will need to be applied and executed, and effective risk adjustment and reinsurance approaches will also need to be implemented to mitigate adverse selection risks. These are but a few of the major policy and operational considerations that will need to be hammered out and implemented through the Exchanges and will require unprecedented levels of data sharing and coordination between the Departments of the Treasury, Social Security, and Health and Human Services at the Federal level as well as with private health plans, insurance commissioners, technology vendors, and state Medicaid agencies at the state and regional levels. Because it will be impossible to address every issue in the short term under the aggressive timeframe laid out by the ACA, it will also be important to focus attention and resources in the highest priority areas.

Towards that end, the Engelberg Center for Health Care Reform at Brookings convened a private roundtable discussion<sup>4</sup> on September 1, 2011 to focus on building a critical path for successful implementation of Exchanges, with an eye towards fostering alignment between all parties through better coordination and strategic prioritization. More specifically, the objective of the roundtable was to address key questions, such as:

- What needs to be done, by whom, by when, and in what order?

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<sup>1</sup> Enthoven, Alain C (1993). The History and Principles of Managed Competition. *Health Affairs*, 12(1).

<sup>2</sup> White C (2011). *Promoting Health Competition in Health Insurance Exchanges: Options and Trade-Offs*. National Institute for Health Care Reform. <http://www.nihcr.org/Healthy-Competition.pdf>

<sup>3</sup> Congressional Budget Office March 2011 baseline health insurance exchange estimates. <http://www.cbo.gov/budget/factsheets/2011b/healthinsuranceexchanges.pdf>

<sup>4</sup> See Appendix for event agenda and a list of participants

- What are the critical milestones that need to be met between now and 2014? What should be the early focus and what can be deferred?
- What are the key dependencies and synchronization points along the critical path?
- How to best balance flexibility and standardization? Collaboration and coordination become all the more important as flexibility around Federal regulations increases.

The first part of the meeting was devoted to the issue of Federal and State alignment. Officials from Federal and state governments kicked off the meeting, addressing each of the key questions from their respective perspectives. The second part of the meeting was then devoted to exploring the implications for the private sector, first by examining previous attempts at building insurance marketplaces (e.g. the Connector in Massachusetts, the failure of PacAdvantage in California, and the Medicare Part D program), and then extrapolating from those experiences to the implications for national health reform implementation. The meeting concluded with a discussion around what an integrated timeline might look like, with key milestones identified and a delineation of each sector's responsibilities in helping to meet them.

This issue brief describes the challenges to effective implementation of Exchanges raised by meeting participants during the roundtable discussion, as well as potential solutions to address them that emerged as part of the discussion.

### ***Challenges Faced in Effective Implementation***

- *Variation in where states are in the process combined with uncertainty about what they want to do and how to do it.* There was much interest in aligning private and public sector activities and timelines for effective Exchange implementation, but implementation of such a coordinated roll-out—and the provision of efficient technical assistance to the states—is complicated by the fact that the starting line appears to be very different between states.
- *Difficulty convincing some states to begin implementation planning.* Participants noted that a highly politicized environment and lack of awareness of what is required to establish Exchanges have stifled progress, exacerbated by uncertainty around Federal policies.
  - *The need for educational outreach:* Because the ACA provides for a federal “fallback” Exchange, participants noted that some states believe that “doing nothing” is a viable option. States should understand that even if they opt for the Federal exchange, they will have significant responsibilities and will need to develop policies and infrastructure to enable interaction with the Federal government and the Federal exchange (e.g. enabling data flows between the Federal hub and state Medicaid information systems).
  - *Highly politically-charged environment:* ACA implementation is taking place in a highly politically-charged climate, fueled by upcoming elections and constitutional challenges awaiting Supreme Court judgments. As a result, standing up the Exchanges has been fraught with concerns that steps towards implementation will be perceived as political support for the health reform legislation.
  - *State governments and the private sector participants said that uncertainty around what the Federal regulations and guidelines will be has contributed to lack of progress:* Efforts to move

forward have been frustrated by lack of clear guidance from the Federal government on what the Federal Exchange will look like and what the requirements will be for state-run Exchanges. These requirements run the gamut from technical details like data standards, to more thorny issues around essential benefits and qualified health plan requirements. Given the fiscal constraints many states face, knowing what the Federal Exchange will look like would greatly help states decide whether opting for the Federal version might be a viable option rather than investing millions of dollars in building their own. Individuals in states that are on the fence due to political considerations also said that they find it difficult to get support for Exchange planning (e.g. from state legislatures) because it is unclear what that support would constitute, given lack of clarity around the Federal requirements.

- *Aggressive timelines make deliberate planning and coordination very difficult.*
  - Exchange implementation is happening at the same time that other major changes (e.g., reforms to Medicaid eligibility) are taking place and in a climate of fierce fiscal constraints, thus competing for scarce resources both in terms of staffing, human capital, and funding.
  - Given the aggressive timelines, stakeholders do not feel they have the luxury to act sequentially, making coordination all the more important but more challenging at the same time.
  - Relatedly, though participants agreed that sharing best practices between states would be important so as not to reinvent the wheel fifty different times, there was a sense that the infrastructure for sharing such best practices and the luxury of time to do so were in short supply. For example, the Early Innovator grantees were intended to be “pace car states,” from whom other states can emulate Exchange designs. However, given the challenges in building Exchanges and the aggressive requirement that all Exchanges be operational by 2014, the grantee states would appear to be more on parallel timelines with the other states, so it is not clear whether the other states will be able to benefit from their experiences.
- *Data concerns:* Finally, participants expressed a variety of data concerns. For example, how will exchanges get the data they need to efficiently run insurance markets? (e.g. what happens when an individual has received coverage across state lines: will states have information from each other?) How will those for whom tax information does not exist or is scarce (e.g. low income individuals who have not had to file tax returns) be managed within the system?

### ***Addressing Barriers to Effective Implementation***

- *Sustained coordination:* Communication and coordination between Federal and State and Local governments, and between private and public sectors, and between the different groups within the private sector relevant to Exchange implementation (e.g. health plans, small employers, etc.) will be key to successful implementation. All participants felt that Interdependence should be recognized, and everyone acknowledged the extraordinary level of coordination and planning that will be required for the Exchanges to be successful. Participants expressed strong desire for more private meetings like this one held at Brookings where stakeholders feel comfortable sharing their views and thoughts on what might facilitate progress.
- *Maximizing the lead time available through careful planning of the critical path:* Because of the aggressive timeline mandated by the ACA, participants expressed the need to find ways to maximize

the lead time that is available by charting the critical path to successful implementation. Such a critical path would incorporate all legal deadlines and work backwards from them, charting key milestones and then clearly identifying what needs to be done, by whom, and by when in order to meet those milestones. Such a “swimlane diagram” would thus enable the identification of key synchronization points and dependency points and become an important planning document that can be used to chart progress along the way. A number of participants provided their thoughts on what such a timeline would look like. A synthesis of those timelines is provided in *Appendix 3*.

- *Sharing best practices*: In light of the time constraints, participants felt it would be advantageous to all state governments and the private sector stakeholders to be able to identify and share best practices and to leverage resources to facilitate efficiency and prevent reinventing the wheel 50 different times.
- *Clarifying roles and responsibilities*: A clearer division of labor between state roles, Federal roles, and private sector roles will help minimize duplication of effort and assign responsibilities to those most appropriate to the task. For example, participants suggested that functions that could benefit from standardization across states (like methods for reinsurance, risk-adjustment, and risk corridors; or standardizing eligibility determinations; and measures of clinical and quality performance for health plans participating in the Exchanges) are areas that the federal government could help with tremendously. Some participants also felt that a pre-screened vendor list might also be helpful. Participants felt that clarifying what the Federal Exchange will look like—and releasing that information sooner rather than later—would go a long way towards enabling States to determine whether—and to what extent—they might want to embark on building their own exchanges or leverage certain parts of the Federal Exchange in “partnership” with the Federal government.
- *Learning from prior experience with Part D*: Many participants were directly involved with Part D implementation, either at the Federal level or at the State and health plan levels. In some ways, setting up the Part D drug plan market might shed light on important considerations for establishing marketplaces for private health insurance.
  - *Mistakes will happen*: Federal officials involved with Part D implementation emphasized that because it is not possible to anticipate every problem given the enormity of the task at hand and the aggressive timelines associated with it, it is more important to be able to react promptly when glitches are identified and adapt and recover quickly. Having contingency plans in place and the ability to iterate as implementation proceeds will be very important.
  - *Key metrics of success*: It is important to identify key metrics of success early and upfront in order to be able to track progress on those measures and maintain level-headedness amidst criticism, which will seem omnipresent. In the Part D experience, the key metric was the number of Medicare beneficiaries who had access to medications. A focus on that performance standard enabled the agency to maintain focus on key priorities.
  - *Separate the political from the policy and the technical*. Part D implementation occurred in a politically-charged environment, not unlike the one surrounding the ACA. A key to Part D success was the ability to separate—and get started with—the technical and policy considerations rather than the political. For example, technical details like building standards for eligibility and enrollment are not likely to trip the political wire and are clearly going to be needed if Exchanges are to be successful.

## Appendix 1: Meeting Agenda

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### **Aligning Public and Private Sector Timelines for Health Insurance Exchange Implementation**

#### *Private Roundtable*

September 1, 2011, 9:00AM – 1:00PM  
Location: Brookings, Stein Room (2<sup>nd</sup> Floor)

- 9:00AM**      **Welcome**, Mark B. McClellan, The Engelberg Center for Health Care Reform, The Brookings Institution
- 9:20AM**      **Opening Remarks**
- Steve Larsen, Center for Consumer Information and Insurance Oversight (CCIIO), Centers for Medicare & Medicaid Services, U.S. Department of Health and Human Services
  - Steve Lieberman, National Governors Association and Visiting Scholar, The Engelberg Center for Health Care Reform, The Brookings Institution
- 9:30AM**      **Overview: State-federal milestones for implementing the exchanges**
- Henry Chao, Office of Information Services (OIS), Centers for Medicare & Medicaid Services, U.S. Department of Health and Human Services
  - Kim Belshe, Public Policy Institute of California and California Health Benefit Exchange
- 10:00AM**      **Session I: Experiences from the past and implications for the private sector**
- S. Lawrence Kocot, The Engelberg Center for Health Care Reform, The Brookings Institution
  - Bill Kramer, Pacific Business Group on Health
  - Robert Wah, Computer Sciences Corporation
  - Lisa Carroll, Small Business Service Bureau, Inc.
- 11:00AM**      **Session II: Building parallel timelines in the private sector**
- Richard T. Moore, Massachusetts State Senate and National Conference for State Legislatures
  - Dennis Matheis, Wellpoint Inc.
  - Andy Webber, National Business Coalition on Health
  - Anne Castro, BlueCross BlueShield of South Carolina, ONC Standards Committee and ONC Policy Committee Enrollment Workgroup
- 12:00PM**      **Session III: Operationalizing the timeline to 2014**
- 12:45PM**      **Concluding Remarks**, Mark B. McClellan
- 1:00PM**      **Adjourn**

## Appendix 2: Participant List

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### Aligning Public and Private Sector Timelines for Health Insurance Exchange Implementation

Private Roundtable

September 1, 2011, 9:00AM – 1:00PM

Location: Stein Room

#### Participant List

Tanya Alteras	Associate Director of the Consumer-Purchaser Disclosure Project, National Partnership for Women & Families
Kim Belshe	Senior Policy Advisor, Public Policy Institute of California and Member, California Health Benefit Exchange
Chiquita Brooks-LaSure	Director of Coverage Policy, Office of Health Reform, U.S. Department of Health and Human Services
Lisa Carroll	President, Small Business Service Bureau, Inc
Anne Castro	Vice President and Chief Design Architect, BlueCross BlueShield of South Carolina ONC Standards Committee Member ONC Policy Committee Enrollment Workgroup Member
Henry Chao	Deputy Chief Information Officer & Deputy Director, Office of Information Services (OIS), Centers for Medicare & Medicaid Services, U.S. Department of Health and Human Services
Brett Graham	Managing Director for Exchanges, Leavitt Partners
John Greene	Vice President of Congressional Affairs, National Association of Health Underwriters
Joan Henneberry	Planning Director, Colorado Health Benefit Exchange
Timothy Hill	Deputy Director, Center for Consumer Information and Insurance Oversight (CCIIO), Centers for Medicare & Medicaid Services, U.S. Department of Health and Human Services
Randy Johnson	Senior Vice President, Labor, Immigration, & Employee Benefits, U.S. Chamber of Commerce
S. Lawrence Kocot	Deputy Director, Engelberg Center for Health Care Reform, The Brookings Institution; Senior Counsel, Sonnenschein Nath & Rosenthal LLP
Bill Kramer	Executive Director for National Health Policy, Pacific Business Group on Health
Steve Larsen	Deputy Administrator and Director, Center for Consumer Information and Insurance Oversight (CCIIO), Centers for Medicare & Medicaid Services, U.S. Department of Health and Human Services
H. Stephen Lieber	President & Chief Executive Officer, Healthcare Information & Management Systems Society (HIMSS)
Steve Lieberman	Deputy for Policy and Data Analysis, National Governors Association and Visiting Scholar, The Engelberg Center for Health Care Reform, The Brookings Institution
Katie Mahoney	Executive Director, Health Policy, U.S. Chamber of Commerce

Dennis Matheis	Vice President, Exchange Strategies, Wellpoint Inc.
Karen Matsuoka	Research Director, The Engelberg Center for Health Care Reform, The Brookings Institution
Mark B. McClellan	Director and Senior Fellow, The Engelberg Center for Health Care Reform, Leonard D. Schaeffer Chair in Health Policy Studies, The Brookings Institution
Richard T. Moore	Massachusetts State Senator and Immediate Past President, National Conference for State Legislatures
Gene Noble	Deputy HHS Portfolio Manager/CMS Portfolio Manager, Center for Transforming Health, The MITRE Corporation
Christina Nyquist	Vice President, Head of Public Policy, Aetna, Inc.
Cary Sennett	Managing Director, Health Care Finance Reform and Fellow, Engelberg Center for Health Care Reform, The Brookings Institution
Janet Trautwein	Chief Executive Officer, National Association of Health Underwriters
Juan Vallarino	Senior Vice President, Strategic Pricing and Analytics, Hospital Corporation of America
Robert Wah	VP Healthcare-Chief Medical Officer, Computer Sciences Corporation
Andy Webber	President and Chief Executive Officer, National Business Coalition on Health

## Appendix 3: Multi-Sector Timelines for Effective Insurance Exchange Implementation

The following “swimlane diagram” represents a starting point that charts what needs to happen, by whom, by when, and in what order, and builds upon the stakeholder-specific timelines contributed by a number of our meeting participants.

The ACA provides a few key milestones, which provide the foundation and parameters for this integrated timeline. For example, Exchanges need to be certified by HHS by 2013, be operational by 2014, and be self-sustaining by 2015. The rest of the diagram charts out what these milestones mean for the Federal government (including HHS and its Federal partners, including the Labor and Treasury departments), State governments (whether they opt for the Federal exchange, decide to implement their own, or decide to partner with HHS), and for the private sector (including health plans that want to participate in the exchanges, for navigators and agents/brokers, for employers—both large and small, and for IT vendors who are likely to encounter extraordinary demand for their services outstripped by their supply).

CY2011	CY 2012	CY 2013	CY 2014	CY 2015
<b>Legislative Milestones</b>				
		❖ <b>1/1/2013:</b> HHS Sec. determines approval or conditional approval of state exchanges	❖ <b>1/1/2014:</b> 1)Exchanges Operational; 2)reinsurance payments for issuers begin	❖ <b>1/1/2015:</b> Exchanges are financially self-sustaining
<b>State Exchange Milestones</b>				
	❖ <b>Q1 2013:</b> Exchange certified	❖ <b>Q3 2013:</b> 1)Integration testing complete; 2) exchange call center and website operational	❖ <b>8/1/2013:</b> 1)QHPs Certified; 2)Exchange employer SHOP Enrollment Begins	❖ <b>10/1/2013:</b> Exchange individual open enrollment begins
			❖ <b>1/1/2014:</b> user fee collection begins	❖ <b>Q2 2015:</b> Risk Adjustment charges and payments begin
<b>State Exchange IT Systems</b>				
	Q1 2011: Conduct gap analysis of existing systems and end goal for systems in 2014			
	Q1 2011: Complete review of product feasibility, viability with exchange program goals and objective			
	Q2 2011: Complete preliminary biz requirements and develop IT architectural and integration framework			

CY2011	CY 2012	CY 2013	CY 2014	CY 2015
	Q2 2011: Complete Systems Development Life Cycle (SDLC) implementation plan			
	Q3 2011: Complete Security risk assessment			
	Q3 2011: Complete Preliminary detailed design and system requirements documents			
	Q4: Finalize IT and integration architecture			
	Q1 2012: Complete final requirements documentation (system design, interface control, data management, and database design)			
	Q3 2012: Complete Final development of baseline system (software, hardware, interfaces, code reviews and unit-level testing)			
	Q4 2012: Complete testing system components including data, interfaces performance, security, and infrastructure			
	Q3 2013: Deploy all system components to production environment			
	Q3 2013: Complete final user testing			
			Support biz operations and system maintenance	

### State Exchange Program Integration

	Q2 2011: Perform biz process gap analysis			
	Q2 2011: Initiate communication with state HIT coordinators, state dept. of insurance, state Medicaid, and other appropriate agencies			
	Q2 2011: Execute agreement with the State Dept of insurance that includes 1) roles & responsibilities for exchange and DOI 2) strategy for limiting adverse selection			
	Q2 2011: Execute agreement with state Medicaid and other health agencies that includes 1) roles & responsibilities 2) strategy for compliance w/ no wrong door			
		CY 2012: Collaborate with state agencies to develop Medicaid and exchange IT systems to facilitate no wrong door		
		Collaborate on testing exchange and other applicable state health programs		
		Coord open enroll w/ elig determ for Medicaid and other state health pgms		

### State Exchange Certification of Qualified Health Plans

	Begin developing standards for plan certification			
	Develop certification policy including timeline for application submission, evaluation, and selection of Qualified Health Plans (QHPs)			
	Develop a strategy and timeline for integration of staff and IT systems needed to receive and process QHP apps and notify issuers of results			
	Draft certification documents (notices/solicitations, applications, agreements, etc.) needed for QHP certification			
	Complete and release solicitation for proposals for QHPs			
		Launch plan management and bid evaluation system to allow upload of QHP bids		
		Collect submissions form the solicitation and begin evaluating proposals		
		Solicit premium quotes from health plan issuers who respond to solicitation		
		Complete certification of QHPs and issue public announcement		
		Conduct plan readiness reviews		
			Collect user fees if applicable	

CY2011	CY 2012	CY 2013	CY 2014	CY 2015
				Monitor prices and benefits of products offered inside and out of HIX
<b>State Exchange Eligibility and Enrollment</b>				
				Create institutional structure to support coordination with Medicaid and Other Applicable State Health Subsidy Programs (OASHSPs)
				Begin developing elig reqs for 1)interfacing with OASHSPs to support enrollment transactions and elig referrals 2)coord appeals and app notices 3)managing transitions
				Begin developing enroll reqs for 1)providing customized plan information 2)submitting enroll transactions to QHP issuers 3) submit relevant data to HHS
				Complete Eligibility System development including any required for OACHSPs
				Complete Enrollment System development including any required for OACHSPs
				Complete Eligibility user testing
				Complete Enrollment user testing
				Begin eligibility determin for QHP and OACHSPS
				Begin enrollment into QHPs and OACHSPS
<b>Other State Exchange Functions</b>				
				Background research
				Stakeholder consultation
				Draft and enact legislation/regulations
				Develop and implement governance structure for exchange
				Design and sufficiently resource financial management system for exchange
				Maintain transparency of financial mgt systems
				Develop and implement plan for assisting small biz and individuals to enroll; address coverage appeals and complaints
				Complete call center procurement process
				Develop exchange website and calculator
				Develop quality rating system and post quality information on exchange website before open enrolment
				Design and establish navigator program; determine grantee orgs and award contracts
				Develop biz process and secure resources necessary to adjudicate appeals
				Design and implement system to administer premium tax credit and cost-sharing reductions
				Develop and implement system to process and adjudicate exemption requests
				Develop and implement system for notification and appeals of employer liability for employer payment
				Develop and implement system for information reporting to IRS and enrollee
				Design and execute public outreach and education campaign
<b>Other State Functions (Regardless Whether Operating State, Fed, or Partnership Exchange)</b>				

CY2011	CY 2012	CY 2013	CY 2014	CY 2015
	❖ Q4 2012: 1)notify CMS if not operating a state exchange; 2)notify CMS if not operating an RA program	❖ Q2 2013: Reinsurance entities established	❖Q1 2014: 1) claims data collection begins; 2) reinsurance contributions and payments begin	❖Q2 2015: Risk Adjustment charges and payments begin

### Federal Exchange

		❖ Q2 2013: Plans certified as QHPs	❖Q3 2013: 1)Integration testing complete; 2) exchange call center and website operational	❖8/1/2013: 1)Exchange employer SHOP Enrollment Begins	❖10/1/2013: Exchange individual open enrollment begins	❖1/1/2014: 1) user fee collection begins; 2) Claims Data Collection Begins	❖Q2 2015: Risk Adjustment charges and payments begin
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### Other Federal Functions

	❖ Q3 2012: Initial data sharing agreement w/ states signed		❖7/1/2013: Federal data hub operational	❖Q3 2012: Integration testing complete	❖10/15/2013: Federal Payment Systems Operational (		❖Q3 2015: Risk corridor charges and payments begin
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### Issuer Milestones

	❖Q1 2013: 1)begin reporting quality data for plan certification 2) submit plans for certification		❖Q3 2012: Issuer data exchange testing complete		❖1/1/2014: Issuers begin reporting claims data		❖Q1-Q2 2015: Begin reporting quality rating data and enrollee satisfaction surveys begin
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### Issuer functions

Design new plans (on/off exchanges) to comply w/ regs							
Develop new systems programs and requirements							
Develop new actuarial risk models							
	Develop new distribution channels						
	Design customer migrations (NGF plans end 12/31/2013)						

CY2011	CY 2012	CY 2013	CY 2014	CY 2015
	Develop new marketing programs			
	Design and implement new eligibility systems			
	Design and implement new payment and billing systems			
			Plan and execute high-volume enrollment	
<b>Brokers/Navigators</b>				
		❖ Q2 2013: Navigator entities established	❖ Q3 2013: Navigator programs operational	