

State of Delaware

Department of Health and Social Services

Health Insurance Exchange Planning

Exchange Model Feasibility Study

January 26, 2012

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1. Executive Summary

In March 2010, the Patient Protection and Affordable Care Act (ACA) was passed by Congress and signed by the President. The ACA requires the creation of state-based Health Insurance Exchanges ("Exchange") that will allow consumers to access information on qualified health plans offered by commercial insurers, apply for health subsidy programs (e.g., Medicaid, Children's Health Insurance Program (CHIP), premium subsidies through the Exchange), and enroll in coverage. Individuals and families will be able to select a health plan that best meets their needs by submitting an application online, in person, through the mail, or over the phone. Based on recently released regulations by the Center for Consumer Information and Insurance Oversight (CCIIO), Exchanges will need to be operational by October 1, 2013 for coverage that will take effect January 1, 2014.

Before selecting an Exchange model, it is essential to understand the available options and the feasibility of each approach. To that end, Delaware's Department of Health and Social Services (DHSS) has requested that Public Consulting Group (PCG) develop a report to provide Delaware with the information it needs to make an informed decision about which Exchange model is the best fit for the State.

There are two basic models a state can choose to establish an Exchange: state or federal. A state Exchange is defined as an Exchange where the state is responsible for performing all of the functions of an Exchange. The federal Exchange model is defined as an Exchange where the State defers responsibility for establishing and administering an Exchange to the federal government. Of those two models there are also multiple design options. This report analyzes and discusses three primary options: a State Exchange partially outsourced option, a State Exchange fully outsourced option, Federal Partnership options, and a Federally Facilitated Exchange (FFE) option. There is not enough information available yet to assess the federal Exchange options, however assumptions were made where possible and we will discuss this in further detail as part of this analysis. Assessing the technical, financial, and operational feasibility of each option as well as the associated risks will provide Delaware with a comprehensive understanding of both the advantages and disadvantages of each model. By examining Delaware's existing environment and Exchange planning processes and leveraging PCG's extensive work with other state Exchange planning clients, PCG has developed an alternatives analysis and financial impact analysis summarized below.

Table 1-1 below summarizes the overall findings of our analysis for each option's technical, operational, and financial feasibility, represented as a per-member-per-month (PMPM) value for an estimated enrollment of 5,000 enrollees.

Table 1-1: Summary Comparison of Exchange Model Options (Operation Costs)

	Partially outsourced State Exchange	Fully outsourced State Exchange	Federal Exchange Option Consumer Assistance	Federal Exchange Option Plan Management	Federal Exchange Option Consumer Assistance & Plan Management	Fully Federal Exchange Option
Technical and Operational Feasibility	Green (High)	Green	Yellow	Yellow	Yellow	Yellow (Medium)
Financial Feasibility (Total Revised PMPM)	\$86.75 (Low)	\$35.82	\$32.72	\$34.22	\$37.12	\$13.98

In terms of overall annual costs the FFE option least expensive option for Delaware and would allow the State to avoid most of the fixed and variable costs associated with operating an Exchange, including infrastructure and ongoing maintenance and operations costs. **It is important to note, that this conclusion is highly dependent on the acceptance of CCIIO to utilize a cost structure similar to the assumptions defined in this analysis.** While HHS has stated that it does not intend to charge Medicaid or CHIP for use of the Federal Data Hub, guidance to-date is unclear on the costs to states that elect to utilize the FFE. As part of the analysis of the federal Exchange options, we have identified additional state-specific costs in addition to any federally assessed costs, such as the costs states will incur to closely coordinate business operational processes as well as the costs of maintaining the interfaces with the federal Exchange. When analyzing the state Exchange options, it was determined that these models will require significant infrastructure and ongoing maintenance and operations costs that will need to be covered by the Exchange, although a fully outsourced option is slightly more favorable as it shifts some fixed costs to variable costs.

Overall from a financial perspective, PCG’s analysis shows a significant difference in the annual budgets and PMPM costs between the options. *It should be noted, however that in order to complete the analysis of costs associated with the Federal Exchange model an assumption was*

made using a \$6 PMPM user fee. The state Exchange model shows that that PMPMs for the partially or fully outsourced options trend lower and closer to one another as the overall enrollment level rises – this is expected because of a highly fixed rate naturally as enrollment increases, the fixed costs are spread over a larger enrollment and PMPM declines. Should the enrollment in the Exchange remain lower over time, however, the federal Exchange options are likely to have a definitive cost advantage to the state. This is because with a highly variable rate, as enrollment increases, total costs will continue to increase. That is why, for larger states with anticipated large enrollment populations, it may be more cost effective to support a state Exchange model.

Table 1-2 below summarizes the technical and operational feasibility and risk analysis of each Exchange Model.

Table 1-2: Detailed Comparison of Exchange Model Options

	Partially outsourced State Exchange	Fully outsourced State Exchange	Federal Exchange Options
Functionality Match	Green	Green	Yellow
Integration Flexibility	Green	Green	Yellow
Data Handling Flexibility	Green	Green	Yellow
Workflow Flexibility	Green	Yellow	Yellow
Speed to Implement	Yellow	Green	Yellow
Level of Customization	Green	Yellow	Yellow
Infrastructure	Yellow	Green	Red
Technical Risk Analysis	Yellow	Green	Yellow
Overall	Green	Green	Yellow

Both a partially outsourced and fully outsourced State Exchange model afford Delaware with the opportunity to procure and customize a system that fulfills its State-specific needs, allowing Delaware to have more control to design an Exchange that best meets its business requirements and fits within its existing environment. Moreover, a survey of commercial Exchange products confirms that a broad range of flexible, viable options are available. The Federal Exchange,

conversely, most likely will not allow for considerable state-specific customization, as it is being developed by the US Department of Health and Human Services (HHS) to provide a common platform for all states wishing to utilize it. With so little information available about what the final federal solution will look like, there are also significant concerns about the integration challenges it may pose to Delaware or any State wishing to utilize the Federal Exchange.

The primary benefit to the State's controlling the design of the system is that it will allow Delaware to not only implement a system that will work effectively in its environment, but that will meet the needs of the residents and small businesses of Delaware. For example, a customizable solution will allow for tailoring premium aggregation, billing and collection services to add value for small businesses – a service which may also be perceived by carriers to be valuable. Although a partially outsourced State Exchange is better suited to this approach, many of these benefits also exist with a fully outsourced State Exchange, as well. The Federal Exchange will likely provide little to no flexibility to the State in this area.

It is also critical to assess the implementation risks associated with each approach. None of the options rates well in this section of the assessment primarily because the timeline pressures of the ACA introduce significant risks into any technology development project. In this context, the fully outsourced model is the most attractive as it may be possible to rapidly deploy a solution, given their breadth of functionality of off-the-shelf products, and especially if they are a good fit for Delaware's existing environment. Similarly, utilizing the Federal Exchange may also limit the implementation risks to Delaware, with the federal government responsible for developing the Exchange, but there is a risk that their development timeline will not be favorable to states in the end, leaving too little time to perform adequate testing or integration activities. The partially outsourced options ranks third in this area, as the majority of the responsibility associated with designing, building, and testing an Exchange falls on the State.

From this analysis, it is clear that Delaware has a difficult decision to make on which model will be best for the State. From the available information gathered to-date, the analysis performed in producing this report, and the importance of ensuring the financial sustainability of Delaware's Exchange, the logical choice for Delaware is to pursue a Federal Exchange model and assess if one of the Federal Partnership options can provide added value by allowing the state to retain control of certain aspects of the Exchange. With its relatively small amount of uninsured individuals and a finite health insurance market, it is unlikely that Delaware will be able to adequately sustain a State Exchange even if enrollment figures exceed expectations. Further, by deferring the bulk of the Exchange IT development efforts to HHS to solve, Delaware will have more resources to pursue other important IT initiatives, such as its eligibility and MMIS systems.

This recommendation comes with two very important caveats, however. First, while the cost model presented in this analysis clearly favors the Federal Exchange model, there are still many

open questions on how the costs of the Federal Exchange will be covered. While HHS has said that it does not intend to charge fees to states specific to determining eligibility for Medicaid and CHIP programs, it remains silent on the costs that will be charged to support all other Exchange operational functions. Additionally, certain costs for interfaces will still need to be shared, and the Federal Exchange's costs are likely to be covered through user fees to carriers. The size or impact of those fees on Delaware's insurance market cannot be estimated without more detailed information from HHS. The second caveat concerns the implementation risk of going with the Federal Exchange. At the present time, the federal Exchange is in the early stages of design – little information is available to states. Without more information on what the solution will be and the timeline for its implementation, Delaware cannot be certain of what integration risks there may be as well as whether sufficient time will be made available to properly test any interfaces that will need to be developed. Therefore, a key consideration should Delaware decide to pursue a Federal Exchange model, would be to obtain assurances from HHS that the solution will be compatible with Delaware's systems and that it will be given the opportunity to properly design and test new interfaces. It is also important in the near term, to receive a commitment from HHS, that PMPM user fee costs will not exceed a defined amount or cap, so that Delaware can finalize cost assumptions so that a sustainable revenue model can be established.

This recommendation is based on the premise that financial considerations are the primary driver for Delaware's decision on an Exchange model however there may be other factors the State may wish to consider. Control over the eligibility determination process is one such factor. A partially or fully outsourced State Exchange would allow Delaware control over this key process and the workflow design. The Federal Exchange model, on the other hand may restrict the State's ability to manage these processes, although HHS has indicated more flexibility on this point in their recent guidance than had been previously communicated. Regardless, if the ability to have control over workflow, process, or design elements for the Exchange is more important to Delaware in the end, then the fully outsourced option would be a better choice. A fully outsourced State Exchange would give the state flexibility in its design, while coming with a lower overall implementation risk and cost to the State.

Much of the success of an Exchange in Delaware will rest on the amount of people who take advantage of its services, both from a financial and a policy standpoint. Based on the finite uninsured population in Delaware, a state Exchange model will be costly and difficult to sustain even with a high percentage of the uninsured population enrolling through the Exchange. For this reason it is critical that Delaware work closely with HHS to better define costs associated with a FFE model. Once this clarification is received, Delaware can select an exchange model, and move forward with all of the activities related to establishing an Exchange.

2. Purpose, Scope, Approach

The goal of the Feasibility Study is to provide Delaware with the information it needs to make an informed decision about which Exchange model is the best fit for the State. The study will address the technical, operational, financial, and feasibility of each option in addition to providing an assessment of the associated risks.

The Study will look at three different options for an Exchange Solution:

1. *Federal Exchange Model*: Federal Exchange Options include the Federally Facilitated Exchange and Federal Partnership Options – with some portion of functionality retained by Delaware (e.g., plan management, consumer assistance, etc.)
2. *State Exchange Model: Partially Outsourced Option*– Exchange fully designed and administered by Delaware, with operations functions outsourced to a contractor (e.g. call center, eligibility/enrollment for premium subsidy population, auditing, etc.)
3. *State Exchange Model: Fully Outsourced Option* – Exchange designed and operationally supported by a contractor(s) with administration, governance and oversight retained by Delaware

Further, the Study will analyze each option along three domains:

1. *Technical and Operational Feasibility* – Pros/Cons, opportunities, challenges, and risks of model option being implemented in Delaware’s existing environment
2. *Financial Feasibility* – Estimated average operational costs (fixed and variable)
3. *Operational Impact* – Estimated staffing levels and organizational structures needed to manage the Exchange

PCG will suggest a recommended approach based on an assessment of all three options against the criteria, assumptions, and constraints identified by Delaware.

To accomplish this task, PCG utilized its understanding of Delaware’s existing environment and Exchange planning process also in addition to leveraging its work with its other state Exchange planning clients and its experience to provide reference points and perspective.

For the technical and operational feasibility section, PCG compared information collected through Rhode Island and Nevada Requests for Information (RFIs) and its existing knowledge of available contractor solutions to Delaware’s existing environment and stated goals, which resulted in a comprehensive qualitative assessment of the range of available options. This analysis also includes an assessment of both implementation and impact risks.

The financial feasibility section is based on PCG’s previous financial analysis for a partially outsourced State Exchange model. PCG also reviewed available information from the federal government and outsourced exchange contractors to assess the level of operations and staff that would be needed to support the Federal Exchange and State Exchange fully outsourced options, respectively.

3. Assumptions and Constraints

The following assumptions were used in the preparation of this report:

1. Delaware is concerned about the financial sustainability of a State-operated Exchange.
2. Delaware's resources will be constrained under any option.
3. Delaware will need to integrate any selected model into portions of its existing IT infrastructure.
4. With approximately 100,000 uninsured residents, of which one-third may be eligible for Medicaid when the program is expanded in 2014, the number of residents seeking coverage through the Exchange is estimated to be less than 70,000.
5. In order to meet the deadline for Exchange operations (October 1, 2013), Delaware will need to decide quickly which approach it will take.

The release of an FAQ on November 29, 2011 further clarified some questions about the Federal Exchange and the federal partnership options, however until more federal pricing information is publicly available, pricing and staffing estimates are still preliminary and may have a margin of error.

4. State Exchange Model

A State Exchange is defined as an Exchange where the state is responsible for performing all of the functions of an Exchange. Under a State Exchange, Delaware would need to design its Exchange, establish its policies and governance model, and implement the infrastructure needed to operate the Exchange. Under the State Exchange model there are two primary variations:

- **Partially Outsourced** – Under this model, Delaware would operate most of the core administrative functions of the Exchange and would design a technology solution to support its needs utilizing a contractor to develop and implement the technology. With its relatively small size, it is assumed that Delaware would still outsource certain functions such as call center operations, marketing, and some IT maintenance and operations services.
- **Fully Outsourced** – Under this model Delaware would still be responsible for a State Exchange but would outsource all core functions to a contractor to manage, including the use of the contractor’s IT solution. Delaware would still be responsible for governance of the Exchange and would need to have some organizational capacity to manage the contract and oversight.

This section will describe the technical, financial, and operational feasibility of operating a State Exchange for each of these two primary options.

4.1. State Exchange: Partially Outsourced Option

4.1.1. Technical and Operational Feasibility

The technical and operational feasibility of a partially outsourced State Exchange is described in this section. Technical feasibility is assessed using the criteria listed below with a narrative analysis of the pros, cons, opportunities, challenges, and risks. This solution would leverage Delaware’s existing eligibility systems, including DCIS II, ASSIST, and the Corticon rules engine being implemented in the new release of ASSIST to support the eligibility needs of the Exchange. This solution would also entail the procurement of a packaged IT solution to provide the non-eligibility functionality needed to support the Exchange and integrate that system with the eligibility solution described above.

Model Assessment

This section provides an overall assessment of the technical feasibility and considerations for utilizing a partially outsourced State Exchange model. The assessment is based on a survey of the range of commercially available solutions for Exchanges and eligibility

systems. The following criteria will be used to assess the technical feasibility of the partially outsourced State Exchange model:

- *Functionality Match* – The degree to which the available options may match the functionality needed by Delaware to establish and Exchange
- *Integration Flexibility* – The amount of flexibility displayed in the available options to integrate well into Delaware’s existing environment
- *Data Handling Flexibility* – The amount of flexibility displayed in the available options to handle data exchange between different systems
- *Workflow Flexibility* – The amount of flexibility displayed in the available options to allow Delaware to manage workflow through the system
- *Speed to Implement* – The estimated amount of time to implement the available options
- *Level of Customization* – The amount of customization that is needed or available with the available options
- *Infrastructure* – The impact on technology infrastructure and the upgrades that may be needed to support the available options

The table below provides a summary of the pros, cons, and considerations for the criteria described above.

Table 4-1: Partially outsourced State Exchange Assessment of Technical Feasibility and Risk Analysis

Attribute	Rating
<p>Functionality Match:</p> <ul style="list-style-type: none"> ↑ Solutions are available that can provide a full range of needed functionality for Exchange components ↑ Eligibility solution can leverage existing resources tailored to Delaware’s needs ↑ State would have the option to customize off-the-shelf software as needed to meet its needs → DCIS II and Corticon rules engine would need to be modified to address new populations and business processes ↓ Continues reliance on legacy technology for a period of time 	Green
<p>Integration Flexibility:</p> <ul style="list-style-type: none"> ↑ Available solutions are SOA-compliant, modular, and rules engine agnostic, so should all be flexible to integrate into DE’s existing environment ↑ Solution can leverage existing resources, minimizing new integration points → DCIS II needs to be modified to integrate with new SOA-compliant components ↓ Many solutions, while flexible and rules engine agnostic, perform better with “native” technology 	Green

Attribute	Rating
<p>Data Handling Flexibility:</p> <ul style="list-style-type: none"> ↑ Data management processes entirely within the State’s control ↑ Data can be transmitted along many existing integration points and communication channels → Some new interfaces and integration points will need to be built → State will need to resolve where Exchange data (e.g. information on subsidy eligibles) will need to be stored 	Green
<p>Workflow Flexibility:</p> <ul style="list-style-type: none"> ↑ Available solutions have robust workflow management capabilities ↑ Workflow management entirely within the State’s control – State has options to better integrate other programs → Delaware will need to revise workflow through existing systems and processes 	Green
<p>Speed to Implement:</p> <ul style="list-style-type: none"> ↑ Available commercial solutions offer full range of functionality off-the-shelf with limited customization or configuration needed ↑ Leveraging existing resources should limit overall development effort → Depending on decision on data storage, conversion effort may be required → Procurement will be required to obtain needed technology solutions → Legacy systems will need to be modified to implement the roadmap, which may require more time for development and testing 	Yellow
<p>Level of Customization:</p> <ul style="list-style-type: none"> ↑ Available commercial solutions offer full range of federally-required Exchange functionality off-the-shelf with limited customization configuration needed → Rules engine will need to be modified to process MAGI rules 	Green
<p>Infrastructure:</p> <ul style="list-style-type: none"> ↑ If Delaware can absorb the IT requirements of the Exchange into existing hardware, software and IT technical support staff this option may be cheaper over the life of the Exchange ↑ Proprietary data is exchanged and stored on infrastructure under the complete control of Delaware, reducing the potential of a security breach ↓ If significant additional IT resources are required, this option will most likely be more expensive, especially if it affects the ability of the current data center to support infrastructure expansion ↓ Infrastructure updates, enhancements and modifications are the responsibility of Delaware, increasing the complexity of supporting Exchange infrastructure ↓ Uncertainty in the Exchange population could lead to poor investments in IT infrastructure, either because of under-utilization (wasted capacity) or over-utilization (inadequate capacity) ↓ Unexpected increases in utilization may be hard to address in a timely manner ↓ Requires capital investment for what may be a relatively small Exchange population 	Yellow

Attribute		Rating
Technical Risk Analysis:		
Implementation Risk	<ul style="list-style-type: none"> ↑ Use of existing resources should limit the development effort ↑ Available solutions will not likely need significant customization → Legacy systems modifications may require more time for development and testing ↓ Many Exchange solutions have not been tested in a production environment ↓ 2013 deadline is fast approaching, leaving a tight timeline to implementation 	Yellow
Impact Risk	<ul style="list-style-type: none"> ↑ Continued reliance on existing systems results in no significant change for the balance of programs → Legacy system modifications will need to limit impact on other programs ↓ State model requires greater involvement of already-strained State resources 	

Technical and Operational Feasibility Analysis

A partially outsourced State Exchange is the model that affords Delaware complete control of the design and operation of the Exchange and allows the State to leverage some of its existing resources to perform Exchange functions. An analysis of commercial solutions available, both for Exchanges and eligibility products, shows that there are many options for state purchasers looking to establish their own Exchange. These solutions range from stand-alone Exchange Software as a Service packages to full end-to-end eligibility solutions with optional Exchange components, and thus would likely provide a full range of functionality needed by Delaware to operate the Exchange with minimal customization required. In addition, the majority of the Exchange solutions on the market are built on SOA-compliant architecture and sufficiently flexible and modular to integrate into Delaware’s existing IT environment and permit efficient handling of data between the various systems within that environment. A partially outsourced State Exchange would also give Delaware the opportunity to leverage the technology foundation built for the Exchange for other businesses or programs with relative ease versus solutions the State would have less control over.

While many technological advantages to the partially outsourced model exist, the implementation risks are higher as a result of the need to integrate components from existing and new systems, including the existing legacy eligibility system. In addition, how Delaware wants to approach its data storage needs will have an impact on overall project

risks. Lastly, Delaware would need to own and support the infrastructure components in a partially outsourced model which may pose issues for ongoing costs.

4.1.2. Financial Feasibility

The financial feasibility of a partially outsourced State Exchange will be described in this section. Financial feasibility will be assessed by providing a listing of expected fixed and variable ongoing costs and a narrative analysis of those figures.

Average Costs

PCG developed a process to allocate the cost components of a partially outsourced State Exchange between fixed and variable cost. We analyzed the components of each of the cost categories and, based on our professional judgment and past experiences, produced a percentage of fixed and variable cost. The table below illustrates this allocation.

Table 4-2: Fixed vs. Variable Cost Allocations

Description of Contractor	% Fixed Cost	% Variable Cost
Salaries and Benefits	100%	0%
Eligibility and Enrollment	50%	50%
Call Center	25%	75%
Premium Billing Engine	50%	50%
Marketing	100%	0%
Navigator	100%	0%
Actuarial	100%	0%
Auditing	75%	25%
Other Professional Consulting	25%	75%
IT and Web Design	75%	25%
Facility Cost (Plant, Maint., Security)	75%	25%
Depreciation	75%	25%
Supplies	75%	25%
Other Expense	75%	25%

Fixed cost was defined first based on 100%, 75%, 50%, and 25%. . The variable cost was then determined as a function of the fixed cost minus the total cost to develop an annual unit cost multiplier (UCM). The UCM was based on the original cost model enrollment

figure of 66,433 for each category. This UCM will be used to define the variable cost in the case of changing enrollment and different models.

The annual ongoing fixed and variable costs associated with a partially outsourced State Exchange are illustrated in the table below. Note that these costs only summarize the estimated annual operating expenditures of the Exchange and do not include one-time development costs, which are 100% covered by grant funding.

Table 4-3: Partially outsourced State Exchange Cost Model

	Fixed Cost	Unit Cost Multiplier	Enrollment	Variable Cost	Total
Salary and Benefits					
Executive Director	\$148,494	N/A	5,000	N/A	\$148,494
Chief Financial Officer	\$122,268	N/A	5,000	N/A	\$122,268
Chief Information Officer	\$120,359	N/A	5,000	N/A	\$120,359
Chief Operations/Policy Officer	\$120,359	N/A	5,000	N/A	\$120,359
Analysts	\$78,648	N/A	5,000	N/A	\$78,648
Account Payable/Receivable	\$54,294	N/A	5,000	N/A	\$54,294
Financial Reporting	\$74,244	N/A	5,000	N/A	\$74,244
Human Resources	\$25,893	N/A	5,000	N/A	\$25,893
Payroll	\$25,604	N/A	5,000	N/A	\$25,604
QHP and Benefit Manager	\$51,787	N/A	5,000	N/A	\$51,787
Contracting/Procurement	\$62,128	N/A	5,000	N/A	\$62,128
Marketing and Outreach	\$62,128	N/A	5,000	N/A	\$62,128
Information Technology Services	\$62,128	N/A	5,000	N/A	\$62,128
Subtotal	\$1,008,334				\$1,008,334
Contract					
Eligibility and Enrollment	\$1,000,000	\$15.05	5,000	\$75,264	\$1,075,264
Call Center	\$62,866	\$2.84	5,000	\$14,195	\$77,060
Premium Billing Engine	\$1,157,930	\$17.43	5,000	\$87,150	\$1,245,080
Marketing	\$555,906	\$0.00	5,000	\$0	\$555,906
Navigator	\$173,908	\$0.00	5,000	\$0	\$173,908
Actuarial	\$201,042	\$2.27	5,000	\$11,348	\$212,391
Auditing	\$23,738	\$0.36	5,000	\$1,787	\$25,525
Other Professional Consulting	\$86,914	\$3.92	5,000	\$19,624	\$106,538
IT and Web Design	\$424,796	\$2.13	5,000	\$10,657	\$435,453
Subtotal	\$3,687,100			\$220,025	\$3,907,126
Other Direct Expense					
Facility Cost	\$137,938	\$0.69	5,000	\$3,461	\$141,398
Depreciation	\$17,585	\$0.09	5,000	\$441	\$18,026

Supplies	\$5,159	\$0.03	5,000	\$129	\$5,289
Other Expense	\$34,304	\$0.17	5,000	\$861	\$35,165
Subtotal	\$194,987			\$4,892	\$199,878
Total	\$4,890,420			\$224,917	\$5,115,338
			Est. HBE Population		5,000
			PMPM for Consumers		\$85.26

Cost Variations by Enrollment

The cost analysis above provides an analysis by specific line item for a partially outsourced State Exchange at the estimated full enrollment level of 5,000 on an annual basis. The table below will illustrate the total costs and per member per month (PMPM) costs of the Exchange at two levels of enrollment (5,000 enrollees and 35,000 enrollees). This analysis takes into account variances in staffing levels and overall variable costs based on volume of enrollees through the Exchange. The cost structure for a partially outsourced State Exchange is highly fixed; therefore lower rates of enrollment significantly increase the PMPM costs to the State. The cost of the Attorney General and Division of Insurance staff supporting the Exchange has been accounted for in the final PMPM below (\$89,633 total).

Table 4-4: Partially outsourced State Exchange Costs Variations by Enrollment

	5,000 Enrollees	35,000 Enrollees
Total Costs Exchange	\$5,115,338	\$6,464,840
Total Costs State	\$89,633	\$89,633
Total Cost	\$5,204,971	\$6,554,473
Revised PMPM	\$86.75	\$15.61

4.1.3. Operational Impact

The operational impact of a partially outsourced State Exchange is described in this section through analyzing the staffing requirements of this option. The impact to existing DHSS eligibility and customer service staff, since it is largely consistent for each option is described in Section 6 below. The staffing plan for the Exchange will assess the operational and administrative staff required to support this Exchange model option.

Staffing Implications

Under a partially outsourced model, the Exchange will need to be staffed to appropriately oversee and administer all Exchange functions. The projected staffing model for Delaware’s Exchange is shown in the figure below. The model utilizes 13 full time equivalent staff members and assumes that legal counsel may be provided by the Attorney General’s Office, as needed.

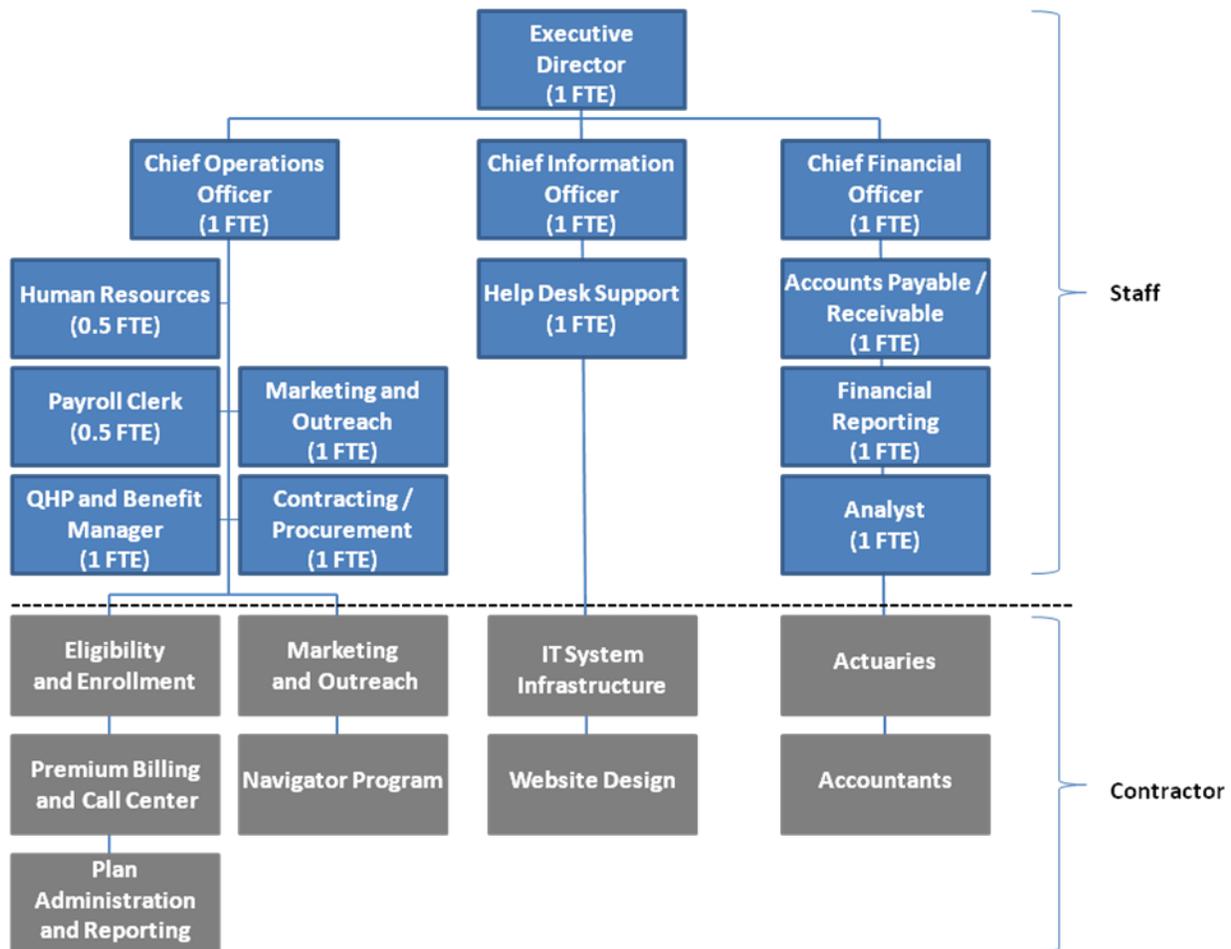


Figure 4-1: Partially outsourced State Exchange Staffing Plan

Staffing Discussion

In the partially outsourced State Exchange model, the State will exert full control over Exchange management and operations. The Exchange will be led by an executive leadership team who will be responsible for each major functional area (operations, marketing, information systems, and finance).

- *Operations* – Directed by the COO, this unit will be responsible for the overall operation of the Exchange. Staff will be responsible for HR, payroll, procurement, and contract management. For the purposes of this analysis we have assumed Delaware will leverage purchased services for eligibility and enrollment, premium billing, call center, and plan administration and reporting.
- *Information Technology* – Directed by the CIO, the Information Technology unit will manage the IT support structure of the Exchange, including management of website design and hosting contractors and managing the overall systems of the Exchange.
- *Finance* – Directed by the CFO, this unit will manage all accounting, AR/AP, financial reporting, analysts, and specialty contractors. These individuals will include actuaries, CPAs, and other financial consultants as necessary.

To the extent possible, existing State staff may be leveraged to meet the Exchange staff FTE requirements. Payroll and Human Resource staff requirements, for example, may be satisfied by current State employees, depending on resource availability and flexibility. The contractor categories included in the model represent the various functional areas that contractors will execute for the Exchange. As the State will have full control over procurement and contracting, the State may choose to consolidate contractors for multiple functions if that method proves cost effective or administratively efficient.

4.2. State Exchange: Fully Outsourced Option

This section will describe the technical, financial, and operational feasibility of operating a fully outsourced State Exchange. As described above, a fully outsourced State Exchange is defined as Delaware engaging a contractor to operate the Exchange, utilizing the contractor's IT solution, with governance and oversight of the Exchange retained by the State.

4.2.1. Technical and Operational Feasibility

The technical and operational feasibility of a fully outsourced State Exchange is described in this section. Technical feasibility is assessed using the criteria listed below and a narrative analysis of the pros, cons, opportunities, challenges and risks will be provided.

Assessment Criteria

This section provides an overall assessment of the technical feasibility and considerations for utilizing a fully outsourced State Exchange. The assessment is based on a survey of the range of commercially available solutions for Exchanges. The following criteria will be used to assess the technical feasibility of the fully outsourced option:

- *Functionality Match* – The degree to which the available options may match the functionality needed by Delaware to establish and Exchange
- *Integration Flexibility* – The amount of flexibility displayed in the available options to integrate well into Delaware’s existing environment.
- *Data Handling Flexibility* – The amount of flexibility displayed in the available options to handle data exchange between different systems.
- *Workflow Flexibility* – The amount of flexibility displayed in the available options to allow Delaware to manage workflow through the system
- *Speed to Implement* – The estimated amount of time to implement the available options
- *Level of Customization* – The amount of customization that is needed or available with the available options
- *Infrastructure* – The impact on technology infrastructure and the upgrades that may be needed to support the available options.

The table below provides a summary of the pros, cons, and considerations for the criteria described above.

Table 4-5: Fully outsourced State Exchange Assessment of Technical Feasibility and Risk Analysis

Attribute	Rating
<p>Functionality Match:</p> <ul style="list-style-type: none"> ↑ Many solutions feature quick adaptability and are generally ready-to-deploy ↑ Most solutions are compliant with CMS and MITA functionalities and standards ↑ State does not have to deal with procuring computers, hiring programmers, or renting offices. Exchange functionality is typically available as a service ↑ Solutions may be flexible to utilize existing state resources for some components 	Green
<p>Integration Flexibility:</p> <ul style="list-style-type: none"> ↑ Software and service bundles are designed to function independently and can be integrated with a wide range of health care and IT systems → Integration with full range of systems in Delaware may be challenging, depending on chosen solution’s design and architecture 	Green
<p>Data Handling Flexibility:</p> <ul style="list-style-type: none"> ↑ Solutions will likely be able to integrate relatively easily with CHIP and MMIS systems ↑ Customization options within the solutions should allow for Delaware to design an efficient data handling process 	Green

Attribute		Rating
Workflow Flexibility: <ul style="list-style-type: none"> ↑ Solutions are designed to allow for efficient workflow handling → Coordinating workflow with an outside contractor may limit options for the State and other programs or processes ↓ Having an outside contractor handling some portion of the workflow introduces different touch points into the process that can be difficult to manage effectively 		Yellow
Speed to Implement: <ul style="list-style-type: none"> ↑ Minimal up-front investment and development required for these solutions ↑ Out of box solution is immediately ready to implement and use ↑ Software can be procured as a service, limiting development time 		Green
Level of Customization: <ul style="list-style-type: none"> ↑ Solution can be tailored and customized according to states needs → Delaware may be limited in some aspects of customization depending on the solution and its flexibility ↓ Solution provider has strict ownership of code and overall product 		Yellow
Infrastructure: <ul style="list-style-type: none"> ↑ This option offers minimal initial infrastructure investment. It most likely offers the least investment over the system life cycle since utilization costs are spread over a larger Exchange population ↑ Fluctuations in Exchange population can be easily addressed with this option, quickly increasing capacity as needed as well as decreasing capacity without having to pay for infrastructure that is not being utilized ↑ Infrastructure updates, enhancements and modifications are the responsibility of the contractor, decreasing the complexity of supporting Exchange infrastructure ↓ Proprietary data is exchanged between and stored on infrastructure outside the complete control of Delaware, increasing the potential risk of a security breach 		Green
Technical Risk Analysis:		
Implementation Risk	<ul style="list-style-type: none"> ↑ Most solutions are ready out of the box, limiting implementation time and risks ↓ Unclear whether solutions can easily integrate with legacy systems 	Green
Impact Risk	<ul style="list-style-type: none"> ↑ Separate Exchange solutions will likely limit impact on other programs ↑ Ready out-of-the-box solutions will limit state resource impacts 	

Technical and Operational Feasibility Analysis

Utilizing a State Exchange fully outsourced option allows for an already developed, out the box solution, which should save significant time in terms of planning and development. These types of solutions have been designed to meet federal requirements for Exchange operations and to integrate with other Medicaid and HHS eligibility systems, which should also limit the amount of customization that will be needed. Most significantly, with these outsourced models, the solution provider is able to provide staffing and support for the implementation, upkeep, and management of the Exchange and associated software, limiting resources needed to maintain the system. However, it should be noted that many of these solutions are untested in the market.

These service offerings and software projects could translate into lower overall costs for Delaware, especially if the service provider is able to leverage common infrastructure to bring costs down. In addition, utilizing a fully outsourced model eliminates some options for the state to coordinate core common functions among different programs. Lastly, there have been limited implementations of these types of solutions in state government environment, which could introduce some risks of the unknown associated with this option.

4.2.2. Financial Feasibility

The financial feasibility of a fully outsourced State Exchange is described in this section. Financial feasibility is assessed through providing a listing of expected fixed and variable ongoing costs and a narrative analysis of those figures.

Average Costs

The State Exchange fully outsourced option provides even more FTE savings as the state only needs to staff an Executive Director, part-time Accounts Payable/Receivable, Reporting Analyst, Contracting/Procurement staff, and Marketing and Outreach staff. IT and operational services (eligibility and enrollment, call center, premium billing, and IT website design) are purchased from a contractor, and have been grouped together under the “All IT Services” line item in the table below. PCG estimated this cost to be as low as \$6.00 per member per month (PMPM) based upon marketplace research and outreach to the vendor community. The IT and operational services cost would be 100% variable in this situation based on the enrollment, providing some risk mitigation for lower enrollment rates.

The annual ongoing fixed and variable costs associated with a fully outsourced State Exchange are illustrated in the table below. Note that these costs only summarize the estimated annual operating expenditures of the Exchange and do not include one-time development costs, which are 100% covered by grant funding.

Table 4-6: Fully outsourced State Exchange Cost Model

	Fixed Cost	Unit Cost Multiplier	Enrollment	Variable Cost	Total
Salary and Benefits					
Executive Director	\$148,494.00	N/A	5,000	N/A	\$148,494.00
Chief Financial Officer	\$0.00	N/A	5,000	N/A	\$0.00
Chief Information Officer	\$0.00	N/A	5,000	N/A	\$0.00
Chief Operations/Policy Officer	\$0.00	N/A	5,000	N/A	\$0.00
Account Payable/Receivable	\$13,573.50	N/A	5,000	N/A	\$13,573.50
Reporting Analyst	\$74,244.00	N/A	5,000	N/A	\$74,244.00
Human Resources	\$12,946.25	N/A	5,000	N/A	\$12,946.25
Payroll	\$0.00	N/A	5,000	N/A	\$0.00
QHP and Benefit Manager	\$51,787.00	N/A	5,000	N/A	\$51,787.00
Contracting/Procurement	\$62,128.00	N/A	5,000	N/A	\$62,128.00
Marketing and Outreach	\$62,128.00	N/A	5,000	N/A	\$62,128.00
Information Technology Services	\$0.00	N/A	5,000	N/A	\$0.00
Subtotal	\$425,300.75				\$425,300.75
Contract					
All IT Services	\$0.00	\$72.00	5,000	\$360,000.00	\$360,000.00
Eligibility and Enrollment					\$0.00
Call Center					\$0.00
Premium Billing Engine					\$0.00
Marketing	\$555,906.07	\$0.00	5,000	\$0.00	\$555,906.07
Navigator	\$173,908.38	\$0.00	5,000	\$0.00	\$173,908.38
Actuarial	\$201,042.26	\$2.27	5,000	\$11,348.40	\$212,390.66
Auditing	\$23,738.49	\$0.36	5,000	\$1,786.65	\$25,525.14
Other Professional Consulting	\$86,913.75	\$3.92	5,000	\$19,624.38	\$106,538.13
IT and Web Design					\$0.00
Subtotal	\$1,041,508.95			\$392,759.43	\$1,434,268.38
Other Direct Expense					
Facility Cost	\$137,937.86	\$0.69	5,000	\$3,460.58	\$141,398.44
Depreciation	\$17,585.01	\$0.09	5,000	\$441.17	\$18,026.18
Supplies	\$5,159.38	\$0.03	5,000	\$129.44	\$5,288.82
Other Expense	\$34,304.43	\$0.17	5,000	\$860.63	\$35,165.05
Subtotal	\$194,986.68			\$4,891.81	\$199,878.49
Total					\$2,059,447.50
			Est. HBE Population		5,000
			PMPM for Consumers		\$34.32

Cost Variations by Enrollment

The cost analysis above provides an analysis by specific line item for a private administered Exchange at the estimated full enrollment level of 5,000 on an annual basis. The table below will illustrate the total costs and per member per month (PMPM) costs of the Exchange at two levels of enrollment (5,000 enrollees and 35,000 enrollees). This analysis takes into account variances in staffing levels and overall variable costs based on volume of enrollees through the Exchange. The cost structure for a State Exchange fully outsourced option is more variable than the partially outsourced model and, therefore lower rates of enrollment result in a lower increase in PMPM costs to the State. The cost of the Attorney General and Division of Insurance staff supporting the Exchange has been accounted for in the final PMPM below (\$89,633 total).

Table 4-7: Fully outsourced State Exchange Cost Variations by Enrollment

	5,000 Enrollees	35,000 Enrollees
Total Costs Exchange	\$2,059,447.50	\$4,455,355.08
Total Costs State	\$89,633	\$89,633
Total Cost	\$2,149,080.50	\$4,534,998
Revised PMPM	\$35.82	\$10.80

4.2.3. Operational Impact

The operational impact of a fully outsourced State Exchange is described in this section through analyzing the staffing requirements of this option. The impact to existing state eligibility and customer service staff, since it is largely consistent for each option is described in Section 6 below. The staffing plan for the Exchange will assess the operational and administrative staff required to support this Exchange option.

Staffing Implications

Under a State Exchange fully outsourced option, Exchange staff will be pared down to five full time equivalent staff, who will oversee marketing, internal accounting, and a single IT service contractor. The project staffing model for the fully outsourced State Exchange is shown in the figure below.

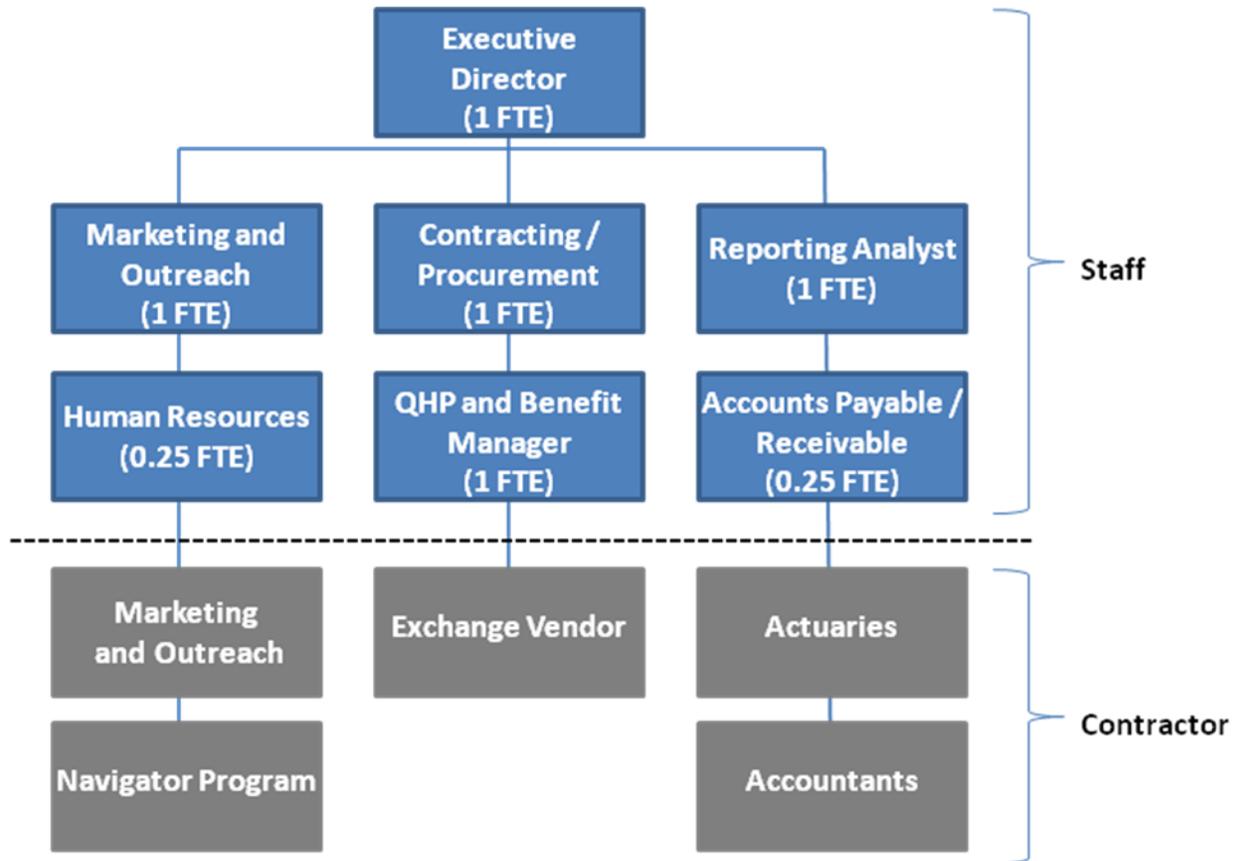


Figure 4-2: Fully outsourced State Exchange Staffing Model

Staffing Discussion

The fully outsourced model consolidates both the number of FTEs and the number of contractors required. Under this model, the Executive Director is directly responsible for oversight of a marketing manager, contract manager, and financial reporting analyst. Marketing, accounting, and actuarial staff contractors will still be necessary to ensure a well-functioning Exchange, with the same expected staffing levels and potential efficiencies as the partially outsourced option.

The Exchange contractor will be responsible for all other Exchange functions, including eligibility and enrollment, call center, premium billing, and web and systems design and maintenance. Administrative efficiencies gained by employing fewer FTEs and contracting fewer contractors should be weighed against potential restructuring issues if one or more contractors or staff members must be replaced.

5. Federal Exchange Model

A Federal Exchange model is defined as an Exchange where the State defers responsibility for performing all of the functions of an Exchange to the federal government. Under a Federal Exchange model, Delaware would rely on HHS to perform all core Exchange functions, make decisions where the Exchange has flexibility in areas such as network adequacy and marketing, and would utilize the technology solution developed by HHS. The Federal Exchange would determine eligibility for qualified health plans, tax credits, cost sharing reductions, and Medicaid and CHIP eligibility based on MAGI, and it would also work with local stakeholders in the state through the Navigator program and other efforts for education and outreach.

In addition to the Federal Exchange option described above, HHS has also announced Federal Partnership options that allow States to operate some functions of the Exchange themselves, although HHS will still be responsible for maintaining and coordinating with states for end-to-end system functionality and to ensure a seamless consumer experience. With the introduction of the Federal Partnership options, a Federal Exchange is now available in one of four primary variations:

- **Federal Exchange** – Under this model, Delaware would defer all responsibility for Exchange functions to HHS and its Department of Insurance and DHSS agencies would need to coordinate with the Federal Exchange to ensure Delaware’s insurance regulations are followed and to manage the Medicaid and CHIP caseloads. Specific responsibilities would include;
 - Delaware Department of Justice (AG's Office) work includes executing memorandum of understanding (MOUs) with the federal exchange office regarding the transfer of data and other legal resources.
 - Delaware Insurance Department work includes rate reviews and other information sharing with the federal exchange related to reporting and compliance of Qualified Health Plans (QHPs).
 - Delaware Health and Social Services and Department of Technology and Information work will include maintenance of interfaces with a federal exchange and a federal data services hub.
 - State Exchange Liaison work will include managing the relationship between the Federal exchange and the state.

- **Federal Partnership – Plan Management** – Under this model, Delaware would defer all responsibility for Exchange functions to HHS, with the exception of plan

management. By retaining ownership of plan management functions Delaware would be responsible for helping to select plans that will be offered on the Exchange and to collect a standardized set of data to plug into the Federal Exchange. DOI and DHSS would still need to coordinate with the Federal Exchange under this option.

- **Federal Partnership – Consumer Assistance** – Under this model, Delaware would defer responsibility for Exchange functions to HHS, with the exception of selected consumer assistance functions. If the State elects this option, it would be responsible for providing in-person assistance, Navigator management, and outreach and education activities. DOI and DHSS would still need to coordinate with the Federal Exchange under this option.
- **Federal Partnership – Plan Management and Consumer Assistance** – Under this model, Delaware would defer responsibility for Exchanges functions to HHS, with the exception of both plan management and consumer assistance functions described above. As with all options, DOI and DHSS would need to coordinate with the Federal Exchange under this option as well.

An important challenge with assessing the feasibility of using one of the Federal Exchange options for Delaware has been the lack of clear information and guidance from HHS on the technical design of the Federal Exchange, the anticipated workflows and points of interaction with states utilizing a Federal Exchange, and the cost model that support the operations of the Federal Exchange. Without this information, it is impossible to present a concrete picture of the ramifications and considerations for Delaware of this model option. In addition, it is inherently risky to select an option that is largely unknown at this point, especially since by the time enough information is known it may be too late for the State to pursue any other option in time for 2014.

This section will describe the technical, financial, and operational feasibility of operating an Exchange utilizing one of the Federal Exchange options articulated by HHS.

5.1. Technical and Operational Feasibility

The technical and operational feasibility of using a Federal Exchange option is described in this section. Technical feasibility is assessed using the criteria listed below and a narrative analysis of the pros, cons, opportunities, challenges, and risks will be provided.

5.1.1. Assessment Criteria

This section will provide an overall assessment of the technical feasibility and considerations for utilizing a Federal Exchange option. The assessment is based on a survey of available information regarding the Federal Exchange solution. At this time, however, specific information about the Federal Exchange solution is not readily available,

so this analysis should be treated as preliminary. The following criteria will be used to assess the technical feasibility of the Federal Exchange options:

- *Functionality Match* – The degree to which the available options may match the functionality needed by Delaware to establish and Exchange
- *Integration Flexibility* – The amount of flexibility displayed in the available options to integrate well into Delaware’s existing environment
- *Data Handling Flexibility* – The amount of flexibility displayed in the available options to handle data exchange between different systems
- *Workflow Flexibility* – The amount of flexibility displayed in the available options to allow Delaware to manage workflow through the system
- *Speed to Implement* – The estimated amount of time to implement the available options
- *Level of Customization* – The amount of customization that is needed or available with the available options
- *Infrastructure* – The impact on technology infrastructure and the upgrades that may be needed to support the available options

The table below provides a summary of the pros, cons, and considerations for the criteria described above.

Table 5-1: Federal Exchange Assessment of Technical Feasibility and Risk Analysis

Attribute	Rating
<p>Functionality Match:</p> <ul style="list-style-type: none"> ↑ HHS is responsible and accountable for ensuring the Exchange meets all functionality standards → Delaware can choose one of three options for a partnership, allowing some flexibility in the final solution ↓ HHS could work with Delaware on one or two of the core functions, but ultimately HHS controls the functionality contained within the Exchange 	Yellow
<p>Integration Flexibility:</p> <ul style="list-style-type: none"> ↑ Delaware’s core systems will not need to be significantly modified to integrate with the Federal Exchange → Too little is known at this time about specific integration points that will be necessary for States that utilize the Federal Exchange → Initially, HHS indicated the Federal Exchange will control eligibility making full integration of Medicaid, CHIP and Exchange difficult; however recent guidance suggests that states will have more flexibility in this area 	Yellow

Attribute	Rating
<ul style="list-style-type: none"> → Delaware will not control design of Federal Exchange, so it cannot ensure the compatibility of Federal systems with its own environment 	
<p>Data Handling Flexibility:</p> <ul style="list-style-type: none"> ↑ Delaware can control some aspects such as Plan Management data as well as selected Consumer Assistance data → Too little is known at this time about the Federal Exchange solution to fully assess the flexibility with which it can handle and transmit data back and forth with Delaware systems ↓ HHS will own control of most data 	Yellow
<p>Workflow Flexibility:</p> <ul style="list-style-type: none"> → Originally states were limited in the workflow functions they could elect to control and manage through the federal partnership options, however recent clarification from HHS provides states with greater flexibility. ↓ HHS ultimately controls all of the technical workflow functions. → Close coordination will be required between Delaware and HHS, which may be more difficult than a State Exchange. 	Yellow
<p>Speed to Implement:</p> <ul style="list-style-type: none"> ↑ HHS is responsible for ensuring the Exchange meets deadlines ↑ Delaware can focus its implementation efforts on integrating with the Federal Exchange solution, limiting its development effort. → Delaware may have a very short timeframe to integrate with Exchange with State functions, such as eligibility. ↓ Delaware is completely dependent on the Federal Exchange implementation progress for integration development efforts. If the Federal Exchange development runs behind schedule, experiences defects, and /or modifies design, it will require Delaware to modify and re-test integration modules. → Delaware doesn't have control over the speed of implementation. 	Yellow
<p>Level of Customization:</p> <ul style="list-style-type: none"> → The state maintains the ability to operate a state run Exchange in the future, but federal funding may be limited at a later date → Initially, it was assumed that because HHS ultimately controls the Exchange, state-specific customization was unlikely however recent guidance suggests that more flexibility will be available. → It is unclear what, if any, support the federal government will offer in the future after the partnership has been established for the state to customize any further 	Yellow
<p>Infrastructure:</p> <ul style="list-style-type: none"> → Little is known about the infrastructure model(s) HHS will offer to support the Exchange. HHS presentations suggest issuers or states will be charged user fees; need to understand costs related to infrastructure for an accurate feasibility analysis. ↓ Proprietary data is exchanged between and stored on infrastructure outside the complete 	Red

Attribute		Rating
control of Delaware, increasing the potential risk of a security breach. ↓ Uncertainty in the infrastructure model(s) available under this option increases risks of poor planning for deployment and makes it difficult to plan risk mitigation strategies.		
Technical Risk Analysis:		
Implementation Risk	↑ HHS is taking responsibility over the initiative with the cooperation of the State, so the risk falls on HHS → Delaware has little control over the timeliness of the implementation ↓ Too little is known about the Federal Exchange at this time, making a full analysis of implementation risks difficult	Yellow
Impact Risk	↑ Solution will not affect core systems, limiting impact to other State-supported programs ↑ Delaware will have a standardized solution presented, limiting state resource time for implementation efforts ↓ Delaware has little control over what the overall solution will look like	

5.1.2. Technical and Operational Feasibility Analysis

Delaware can choose from four different partnership options, and although each of the four options is different, the pros, cons, and risks associated with a partnership are similar to the other options. By selecting a partnership, Delaware is giving up control of a large piece of the Exchange and conceding ultimate control over the implementation process and eligibility determination to HHS. This relinquishing of control places the responsibility of meeting deadlines and delivering a competent Exchange onto the federal government, but it does not fully alleviate Delaware’s implementation risk if the solution is delivered with too little time to perform adequate testing and implementation activities. In terms of the solution’s implementation, HHS has not announced the solution they intend on using in a federal partnership, leaving Delaware in a position of uncertainty should the State chose this one of the three partnership options or the Federal Exchange. In addition, due to the lack of information available about the Exchange and the lack of control Delaware will have over the design and development process, the ease of which the federal Exchange will integrate with Delaware’s systems or the ability to efficiently handle data transmission and coordinate workflow is unknown, introducing a significant risk. We encourage the State to take advantage of the CMS Technical Assistance that is available to answer questions as planning continues.

5.2. Financial Feasibility

The financial feasibility of the Federal Exchange options are described in this section. Financial feasibility is assessed through providing a listing of fixed and variable ongoing costs and a narrative analysis. The options evaluated include: Federal Partnership Option – Consumer Assistance, Federal Partnership Option – Plan Management, Federal Partnership Option – Consumer Assistance and Plan Management, and the Federally Facilitated Exchange (FFE) model.

5.2.1. Average Costs

If the state pursues an FFE or federal partnership option, the Chief Information Officer, Analyst, Financial Reporting, and Payroll positions would no longer be necessary as HHS would assume the responsibilities for IT and these functions. The state would also be able to share responsibilities of the Analyst, Financial Reporting, and Payroll functions within the remaining FTEs. HHS would also assume the cost of the eligibility and enrollment, call center, premium billing engine, and IT website design. Any cost to ongoing operations of the state eligibility and enrollment system would be assumed by the Medicaid system solution and subject to federal matching funds.

It is important to point out that the fee associated with Exchange services can still be charged to the health plans by HHS, it just would not be charged by the state. At this time, however, no final guidance on the cost model for the Federal Exchange has been made available by HHS to assess the potential impact of these fees. For the evaluation of the Federal Exchange models, we have assumed a \$6.00 PMPM (per enrollee) cost to the state.

The annual ongoing fixed and variable costs associated with the Federal Exchange options are illustrated in the series tables below. Similar to the State Exchange models, the costs are based on the estimated annual operating expenditures of the Exchange and do not include one-time development costs.

Table 5-2: Federal Exchange Option Cost Model: State-Run Consumer Assistance

	Fixed Cost	Unit Cost Multiplier	Enrollment	Variable Cost	Total
Salary and Benefits					
Executive Director	\$148,494.00	N/A	5,000	N/A	\$148,494.00
Chief Financial Officer	\$61,134.00	N/A	5,000	N/A	\$61,134.00
Chief Information Officer	\$0.00	N/A	5,000	N/A	\$0.00
Chief Operations/Policy Officer	\$60,179.50	N/A	5,000	N/A	\$60,179.50
Analyst	\$0.00	N/A	5,000	N/A	\$0.00
Account Payable/Receivable	\$13,573.50	N/A	5,000	N/A	\$13,573.50
Financial Reporting	\$0.00	N/A	5,000	N/A	\$0.00
Human Resources	\$12,946.25	N/A	5,000	N/A	\$12,946.25
Payroll	\$0.00	N/A	5,000	N/A	\$0.00
QHP and Benefit Manager	\$0.00	N/A	5,000	N/A	\$0.00
Contracting/Procurement	\$62,128.00	N/A	5,000	N/A	\$62,128.00
Marketing Manager	\$62,128.00	N/A	5,000	N/A	\$62,128.00
Help Desk Support	\$31,064.00	N/A	5,000	N/A	\$31,064.00
Subtotal	\$451,647.25				\$451,647.25
Contract					
Eligibility and Enrollment				\$0.00	\$0.00
Call Center				\$0.00	\$0.00
Premium Billing Engine				\$0.00	\$0.00
Marketing	\$555,906.00	\$0.00	5,000	\$0.00	\$555,906.00
Navigator	\$173,908.38	\$0.00	5,000	\$0.00	\$173,908.38
Actuarial					\$0.00
Auditing	\$23,738.49	\$0.36	5,000	\$1,786.65	\$25,525.14
Other Professional Consulting	\$86,913.75	\$3.92	5,000	\$19,624.38	\$106,538.13
IT and Web Design					\$0.00
Subtotal	\$840,466.62			\$21,411.03	\$861,877.65

Other Direct Expense					
Facility Cost	\$137,937.86	\$0.69	5,000	\$3,460.58	\$141,398.44
Depreciation	\$17,585.01	\$0.09	5,000	\$441.17	\$18,026.18
Supplies	\$5,159.38	\$0.03	5,000	\$129.44	\$5,288.82
Other Expense	\$34,304.43	\$0.17	5,000	\$860.63	\$35,165.05
Subtotal	\$194,986.68			\$4,891.81	\$199,878.49
Federal User Fee		\$72.00	5,000	\$360,000.00	\$360,000.00
Total - Consumer Assistance	\$1,487,100.55			\$26,302.84	\$1,873,403.49
			Est. HBE Population		5,000
			PMPM for Consumers		\$31.22

The cost of the Attorney General and Division of Insurance staff supporting the Exchange has been accounted for in the final PMPM below (\$89,633 total).

Table 5-3: Federal Partnership: State-Run Consumer Assistance - Cost Variations by Enrollment

	5,000 Enrollees	35,000 Enrollees
Total Costs Exchange	\$1,873,403.49	\$4,191,200.55
Total Costs State	\$89,633	\$89,633
Total Cost	\$1,963,036	\$4,280,833.55
Revised PMPM	\$32.72	\$10.19

Table 5-4: Federal Partnership Exchange Cost Model: State-Run Plan Management

	Fixed Cost	Unit Cost Multiplier	Enrollment	Variable Cost	Total
Salary and Benefits					
Executive Director	\$148,494.00	N/A	5,000	N/A	\$148,494.00
Chief Financial Officer	\$61,134.00	N/A	5,000	N/A	\$61,134.00
Chief Information Officer	\$0.00	N/A	5,000	N/A	\$0.00
Chief Operations/Policy Officer	\$60,179.50	N/A	5,000	N/A	\$60,179.50
Analyst	\$0.00	N/A	5,000	N/A	\$0.00
Account Payable/Receivable	\$13,573.50	N/A	5,000	N/A	\$13,573.50
Financial Reporting	\$0.00	N/A	5,000	N/A	\$0.00
Human Resources	\$12,946.25	N/A	5,000	N/A	\$12,946.25
Payroll	\$0.00	N/A	5,000	N/A	\$0.00
QHP and Benefit Manager	\$51,787.00	N/A	5,000	N/A	\$51,787.00
Contracting/Procurement	\$62,128.00	N/A	5,000	N/A	\$62,128.00
Marketing Manager	\$62,128.00	N/A	5,000	N/A	\$62,128.00
Help Desk Support	\$31,064.00	N/A	5,000	N/A	\$31,064.00
Subtotal	\$503,434.25				\$503,434.25
Contract					
Eligibility and Enrollment					\$0.00
Call Center					\$0.00
Premium Billing Engine					\$0.00
Marketing	\$555,906.00	\$0.00	5,000	\$0.00	\$555,906.00
Navigator					\$0.00
Actuarial	\$201,042.26	\$2.27	5,000	\$11,348.40	\$212,390.66
Auditing	\$23,738.49	\$0.36	5,000	\$1,786.65	\$25,525.14
Other Professional Consulting	\$86,913.75	\$3.92	5,000	\$19,624.38	\$106,538.13
IT and Web Design					\$0.00
Subtotal	\$867,600.50			\$32,759.43	\$900,359.93
Other Direct Expense					

Facility Cost	\$137,937.86	\$0.69	5,000	\$3,460.58	\$141,398.44
Depreciation	\$17,585.01	\$0.09	5,000	\$441.17	\$18,026.18
Supplies	\$5,159.38	\$0.03	5,000	\$129.44	\$5,288.82
Other Expense	\$34,304.43	\$0.17	5,000	\$860.63	\$35,165.05
Subtotal	\$194,986.68			\$4,891.81	\$199,878.49
Federal User Fee		\$72.00	5,000	\$360,000.00	\$360,000.00
Total - Consumer Assistance	\$1,566,021.43			\$37,651.24	\$1,963,672.67
			Est. HBE Population		5,000
			PMPM for Consumers		\$32.73

The cost of the Attorney General and Division of Insurance staff supporting the Exchange has been accounted for in the final PMPM below (\$89,633 total).

Table 5-5: Federal Partnership: State-Run Plan Management - Cost Variations by Enrollment

	5,000 Enrollees	35,000 Enrollees
Total Costs Exchange	\$1,963,672.67	\$4,320,163.24
Total Costs State	\$89,633	\$89,633
Total Cost	\$2,053,306	\$4,409,796.24
Revised PMPM	\$34.22	\$10.50

Table 5-6: Federal Partnership Exchange Cost Model: State-Run Plan Management and Consumer Assistance

	Fixed Cost	Unit Cost Multiplier	Enrollment	Variable Cost	Total
Salary and Benefits					
Executive Director	\$148,494.00	N/A	5,000	N/A	\$148,494.00
Chief Financial Officer	\$61,134.00	N/A	5,000	N/A	\$61,134.00
Chief Information Officer	\$0.00	N/A	5,000	N/A	\$0.00
Chief Operations/Policy Officer	\$60,179.50	N/A	5,000	N/A	\$60,179.50
Analyst	\$0.00	N/A	5,000	N/A	\$0.00
Account Payable/Receivable	\$13,573.50	N/A	5,000	N/A	\$13,573.50
Financial Reporting	\$0.00	N/A	5,000	N/A	\$0.00
Human Resources	\$12,946.25	N/A	5,000	N/A	\$12,946.25
Payroll	\$0.00	N/A	5,000	N/A	\$0.00
QHP and Benefit Manager	\$51,787.00	N/A	5,000	N/A	\$51,787.00
Contracting/Procurement	\$62,128.00	N/A	5,000	N/A	\$62,128.00
Marketing Manager	\$62,128.00	N/A	5,000	N/A	\$62,128.00
Help Desk Support	\$31,064.00	N/A	5,000	N/A	\$31,064.00
Subtotal	\$503,434.25				\$503,434.25
Contract					
Eligibility and Enrollment					\$0.00
Call Center					\$0.00
Premium Billing Engine					\$0.00
Marketing	\$555,906.00	\$0.00	5,000	\$0.00	\$555,906.00
Navigator	\$173,908.38	\$0.00	5,000	\$0.00	\$173,908.38
Actuarial	\$201,042.26	\$2.27	5,000	\$11,348.40	\$212,390.66
Auditing	\$23,738.49	\$0.36	5,000	\$1,786.65	\$25,525.14
Other Professional Consulting	\$86,913.75	\$3.92	5,000	\$19,624.38	\$106,538.13
IT and Web Design					\$0.00
Subtotal	\$1,041,508.88			\$32,759.43	\$1,074,268.31

Other Direct Expense					
Facility Cost	\$137,937.86	\$0.69	5,000	\$3,460.58	\$141,398.44
Depreciation	\$17,585.01	\$0.09	5,000	\$441.17	\$18,026.18
Supplies	\$5,159.38	\$0.03	5,000	\$129.44	\$5,288.82
Other Expense	\$34,304.43	\$0.17	5,000	\$860.63	\$35,165.05
Subtotal	\$194,986.68			\$4,891.81	\$199,878.49
Federal User Fee		\$72.00	5,000	\$360,000.00	\$360,000.00
Total - Consumer Assistance	\$1,739,929.81			\$37,651.24	\$2,137,581.05
			Est. HBE Population		5,000
			PMPM for Consumers		\$35.63

The cost of the Attorney General and Division of Insurance staff supporting the Exchange has been accounted for in the final PMPM below (\$89,633 total).

Table 5-7: Federal Partnership: State-Run Plan Management and Consumer Assistance - Cost Variations by Enrollment

	5,000 Enrollees	35,000 Enrollees
Total Costs Exchange	\$2,137,581.05	\$4,523,479.81
Total Costs State	\$89,633	\$89,633
Total Cost	\$2,227,214	\$4,613,112.81
Revised PMPM	\$37.12	\$10.98

Table 5-8: Fully Federal Partnership Exchange Cost Model

Description	FTE Estimate	Salary	Fringe Benefits (32%)	Indirect Cost (25%)	Cost Per 1 FTE	Total Gross Cost
Department of Justice (AG's Office)	0.25	\$151,750	\$48,560	\$50,078	\$250,388	\$62,597
Insurance Department	0.25	\$65,541	\$20,973	\$21,629	\$108,143	\$27,036
Health and Social Services	2.00	\$75,044	\$24,014	\$24,765	\$123,823	\$247,645
State Exchange Liaison	1.00	\$85,915	\$27,493	\$28,352	\$141,760	\$141,760
Totals	3.5					\$ 479,037
					Federal User Fee	\$ 363,000
					Total	\$ 842,037

Table 5-10: Fully Federal Partnership: Cost Variations by Enrollment

	5,000 Enrollees	35,000 Enrollees
Total Costs	\$839,037	\$2,999,037
PMPM	\$13.98	\$7.14

5.3. Operational Impact

The operational impact of the Federal Exchange options is described in this section through analyzing the staffing requirements of this option. The impact to existing state eligibility and customer service staff, since it is largely consistent for each option is described in Section 6 below. The staffing plan for the Exchange will assess the operational and administrative staff required to support this Exchange model option.

5.3.1. Staffing Implications

The staffing model for the Federal Partnership Exchange options is shown in the figure below. The staffing needs for the Fully Federal Exchange were described above. Under a Federal Partnership option, Exchange staffing will be dependent on the specific partnership

that is chosen. Positions that are shaded blue or grey will be required regardless of which partnership is chosen. Positions shown in orange are Plan Management specific, and positions shown in green are Consumer Assistance specific. There are eight required full time equivalent staff members used in this model and one optional staff member if the State chooses to administer Plan Management.

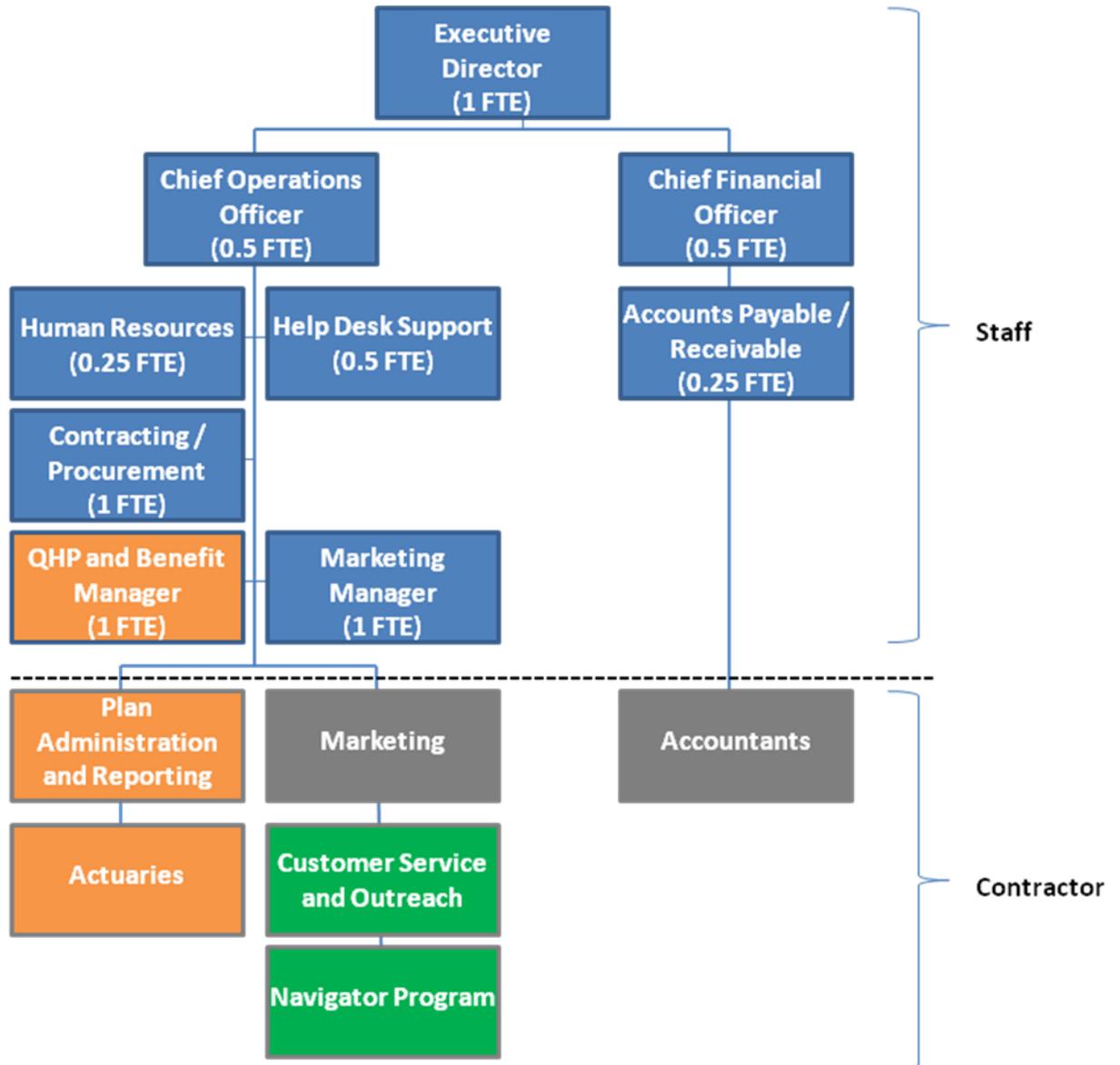


Figure 5-1: Federal Partnership Exchange Staffing Plan

5.3.2. Staffing Discussion

As the Federal Exchange options require federal control over all IT systems and a considerable number of Exchange operational functions, the Chief Information Officer position, along with all Exchange IT systems contractors, have been removed from the model and internal help desk support has been repositioned under the Chief Operating Officer. As noted above, the orange and green positions in the model are optional depending on the type of partnership that is chosen.

Key staff functions, including HR, contract management, AR/AP, accounting, and marketing will still be necessary for a well-functioning Exchange under a federal partnership model. Marketing will be especially important under the Federal Partnership option to ensure that Delaware residents still view the Exchange as a market tool that accounts for their unique needs, rather than a federal, “one size fits all” program.

Given the more limited scope of Exchange functions and fewer FTE requirements, it is more likely that more of these staff positions may be satisfied by current State employees. However, the key Exchange functions that will fall under the purview of the federal government are naturally interconnected with plan management and customer service functionality. Therefore, all Exchange staff will be required to effectively communicate and coordinate activities with the federal government on an ongoing basis.

6. Analysis and Recommendation

This section will provide PCG’s analysis of the model options. PCG will provide a subjective ranking of the options based on the available information, its experience and professional judgment, and its understanding of Delaware’s needs and capabilities. PCG will also include an analysis of the implementation considerations for the recommended option for the State.

6.1. Summary of Comparative Analysis of the Alternatives

6.1.1. Evaluation Criteria Overview

The comparative evaluation the model options presented above will be assessed for two key areas:

1. *Technical and Operational Feasibility* – The Option’s overall score relative to its positive and negative technical and operational attributes.
2. *Financial Feasibility* – The Option’s overall ongoing fixed and variable costs. This figure will give insight into the likelihood that Delaware can design an Exchange to sustain these needs. Implementation costs are not included in this analysis due to the availability of Cooperative Agreement funding.

6.1.2. Ranking of the Options

Table 6-1 below summarizes the overall technical feasibility score of the options and the anticipated PMPM costs for the estimated Exchange enrollment of 5,000. Table 6-2 summarizes the anticipated annual expenditures for each option at the same level of enrollment.

Table 6-1: Overall Comparison of Exchange Model Options

	Partially outsourced State Exchange	Fully outsourced State Exchange	Federal Partnership Consumer Assistance	Federal Partnership Plan Management	Federal Partnership Consumer Assistance & Plan Mgmt	Federally Facilitated Exchange
Technical and Operational Feasibility	Green (High)	Green	Yellow	Yellow	Yellow	Yellow (Medium)
Financial Feasibility (Total Revised PMPM)	\$86.75 (Low)	35.82	32.72	\$34.22	\$37.12	\$13.98

Table 6-2: Financial Model for Each Option

	Salary	IT	Other Contract	Other Direct	Total
State PO - Fixed	\$1,008,333	\$2,582,726	\$1,104,374	\$194,987	\$4,890,420
State PO - Variable	\$0.00	\$173,071	\$46,954	\$4,892	\$224,917
State PO - Total	\$1,008,333	\$2,755,797	\$1,151,328	\$199,879	\$5,115,337
State FO - Fixed	\$425,300.75	\$0.00	\$1,041,508.95	\$194,986.68	\$1,661,796.38
State FO - Variable	\$0.00	\$360,000.00	\$32,759.43	\$4,891.81	\$397,651.24
State FO - Total	\$425,300.75	\$360,000.00	\$1,074,268.38	\$199,878.49	\$2,059,447.62
FFE - Fixed	\$479,037	\$0.00	\$0.00	\$360,000	\$839,037
FFE - Variable	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
FFE - Total	\$479,037.00	\$0.00	\$0.00	\$360,000.00	\$839,037.00
FP CA- Fixed	\$451,647.25	\$0.00	\$840,466.62	\$554,986.68	\$1,847,100.55
FP CA - Variable	\$0.00	\$0.00	\$21,411.03	\$4,891.81	\$26,302.84
FP CA- Total	\$451,647.25	\$0.00	\$861,877.65	\$559,878.49	\$1,873,403.39
FP PM - Fixed	\$503,434.25	\$0.00	\$867,600.50	\$554,986.68	\$1,926,021.43
FP PM - Variable	\$0.00	\$0.00	\$32,759.43	\$4,891.81	\$37,651.24
FP PM- Total	\$503,434.25	\$0.00	\$900,359.93	\$559,878.49	\$1,963,672.67
FP CA and PM - Fixed	\$503,434.25	\$0.00	\$1,041,508.88	\$554,986.68	\$2,099,929.81
FP CA and PM-Variable	\$0.00	\$0.00	\$32,759.43	\$4,891.81	\$37,651.24
FP CA and PM- Total	\$503,434.25	\$0.00	\$1,074,268.31	\$559,878.49	\$2,137,581.05

In terms of overall annual costs the Federal Exchange options are by far the cheapest options for Delaware. By opting for a Federal Exchange model, Delaware will be able to avoid most of the fixed and variable costs associated with operating an Exchange and its development effort will also be limited to developing interfaces with the Federal Exchange. This cost structure comes with a significant caveat, however since the cost model for the Federal Exchange is still unknown. While HHS has stated that it does not intend to charge Medicaid or CHIP if the Federal Exchange determines eligibility for these programs, it remains silent on the costs to states for supporting other Exchange operation functions. Additionally, states will be required to share costs of establishing and maintaining the interfaces with the Federal Exchange with the government. As it pertains to partially or fully outsourced State Exchanges, Delaware will see increased infrastructure and ongoing maintenance and operations costs that will need to be covered by the Exchange, although a fully outsourced option has some advantages by shifting more fixed costs to variable costs. The partially outsourced option has higher potential overall IT maintenance and operations costs largely due to the impact of the infrastructure needed to operate the exchange solution and the need for the state to take significant ownership for those pieces. Using a fully outsourced State Exchange can help the state avoid these expenses if it were to implement a State Exchange.

Overall from a financial perspective, our conservative estimates and analysis show a significant difference in the annual budgets and PMPM costs between the options. The model also shows that that PMPMs for the partially or fully outsourced options trend lower and closer to one another as the overall enrollment level rises, as shown in Table 6-3. Should the enrollment in the Exchange remain lower over time, however the Federal Exchange and Federal Partnership options are likely to have a definitive cost advantage for Delaware. As noted previously, this analysis assumes a fixed PMPM (or per enrollee) user fee cap of \$6, as a maximum assessment to states for use of the Federally Facilitated Exchange model.

Table 6-3: Total Cost and PMPM for Each Option at Different Enrollment Levels

	5,000 Enrollees	35,000 Enrollees
State Exchange - Partially Outsourced - Total Costs	\$5,204,971	\$6,554,473
State Exchange - Partially Outsourced - Revised PMPM	\$86.75	\$15.61
State Exchange - Fully Outsourced - Total Costs	\$2,149,081	\$4,534,988
State Exchange - Fully Outsourced – Revised PMPM	\$35.82	\$10.80
Federal Partnership Consumer Assistance - Total Costs	\$1,963,036	\$4,280,834
Federal Partnership Consumer Assistance– Revised PMPM	\$32.72	\$10.19
Federal Partnership Plan Management - Total Costs	\$2,053,306	\$4,409,796
Federal Partnership Plan Management - Revised PMPM	\$34.22	\$10.50
Federal Partnership Consumer Assistance and Plan Management - Total Costs	\$2,227,214	\$4,613,113
Federal Partnership Consumer Assistance and Plan Management – Revised PMPM	\$37.12	\$10.98
Full Federal Model – State Costs	\$839,037	\$2,999,037
Full Federal Model – Revised PMPM	\$13.98	\$7.14

The table below summarizes the technical feasibility and risk analysis of each Exchange Model.

Table 6-4: Detailed Comparison of Exchange Model Options

	Partially outsourced State Exchange	Fully outsourced State Exchange	Federal Exchange Options
Functionality Match	Green	Green	Yellow
Integration Flexibility	Green	Green	Yellow
Data Handling Flexibility	Green	Green	Yellow
Workflow Flexibility	Green	Yellow	Yellow
Speed to Implement	Yellow	Green	Yellow
Level of Customization	Green	Yellow	Yellow
Infrastructure	Yellow	Green	Red
Technical Risk Analysis	Yellow	Green	Yellow
Overall	Green	Green	Yellow

As is detailed in the technical and operational feasibility analysis and can be seen in the table above, the partially and fully outsourced options rank the highest for technical and operational feasibility, with the federal partnership model in a distant third. This assessment is primarily based on the amount of control the State is likely to have to design a system that best meets its business needs, in particular its control over the eligibility determination process, and fits well within its existing environment. In this respect, both a partially and a fully outsourced model afford Delaware with choice and options to procure and customize a system to its liking, and in fact a survey of commercial exchange products confirm that a broad range of flexible, viable options are available. On the other hand, the Federal Exchange is being developed separately by HHS which provides a common platform for all states wishing to utilize it, will support some state-specific customization. Using the Federal Exchange will require close collaboration for design and integration of business processes.

The primary benefit to the State's controlling the design of the system is that it will allow Delaware to not only implement a system that will work effectively in its environment, but that will meet the needs of the residents and small businesses of Delaware. For example, a customizable solution will allow for tailoring premium aggregation, billing and collection services to add value for small businesses – a service which may also be perceived by

carriers to be valuable. Although a partially outsourced State Exchange is better suited to this approach, many of these benefits also exist with a fully outsourced State Exchange, as well. The Federal Exchange will likely provide little to no flexibility to the State in this area as far as customizing the format of how premium billing is summarized for small businesses.

Another important area to assess is the implementation risks associated with each approach. None of the options rate particularly well in this assessment primarily due to the timeline pressures of the ACA introduce significant risk into any technology development project and Delaware's ability to successfully design, build, and test a suitable solution in time. In this area, the fully outsourced model is the most attractive as it may be possible to rapidly deploy a solution, given their breadth of functionality off-the-shelf and especially if it is a good fit for Delaware's existing environment. Similarly, utilizing the Federal Exchange solution may also limit the implementation risk to Delaware, with the feds responsible for developing the Exchange, but there is a risk that their development timeline will not be favorable to states in the end, leaving too little time to perform adequate testing or integration activities. The partially outsourced options ranks third in this area primarily because so much responsibility would be on the state to design and customize a solution to its needs then be ultimately responsible for standing it up.

6.2. Detailed Comparative Assessment of the Alternatives

This section will provide a detailed analysis of the pros and cons of each option and considerations for Delaware.

6.2.1. State Exchange: Partially Outsourced Option

This approach provides Delaware with the most control and flexibility with their solution while at the same time meeting the mandates of the ACA, but it also comes with the highest overall price tag. The size and scope of the Exchange initiative nationwide has provided a market for powerful state-of-the-art technology solutions that Delaware can carefully examine and select based on the State's needs and vision. The significance and effects these technology solutions have, if taken advantage of, on workflow and other improvement opportunities can be felt across numerous departments beyond Medicaid, CHIP and the Exchange. Beyond the aforementioned incentives to build a new infrastructure for doing business, the federal government is also providing unprecedented support to assist states in their initiative to create the best solution for the State and the residents it serves. However, it should be noted that many of these solutions are largely untested.

A partially outsourced State Exchange is technologically beneficial however getting to the finish line for this option involves more money, effort, and responsibility than other options. Because the State is running the Exchange, it becomes Delaware's responsibility

to ensure that all mandates are met, the solution is compliant with the ACA, and can be financially self-sustaining. Due to the size of the initiative, this approach is probably the most expensive and complicated to implement. Beyond the initial implementation, infrastructure needs and the need to support fixed costs calls into question the financial sustainability of a partially outsourced State Exchange, requiring additional research and ultimately a level of risk.

6.2.2. State Exchange: Fully Outsourced Option

A fully outsourced State Exchange through a private contractor shares a lot of the same technological advantages of the partially outsourced State Exchange, with a slightly lower overall cost. The State will have flexibility in selecting a contractor and technology solution that fits their needs, although it's likely that Delaware would have fewer options to customize the solution once selected, the state will still control the contract and how it's executed with the contractor. Fully outsourcing a States Exchange could also be the fastest, easiest, and probably the most cost efficient way to implement a new technology solution. In addition, the fully outsourced option's overall costs are more variable and thus provide some risk mitigation with lower rates of enrollment.

Initial control over the implementation is achieved through a fully outsourced model, however if Delaware is leasing the software from the selected contractor, options for moving to a new solution provider become limited or difficult to achieve (however, this risk can be mitigated by including an exit strategy/clause when negotiating the contract with the selected vendor). Once a scope of work is set in place, Delaware won't be able to expand that scope with the contractor without impacting the original cost structure. This approach also limits the ability to unify processes across programs as they will be set up separately by the contractor. Ultimately, by allowing a contractor to run operations, the State will have less control over the operations of the Exchange.

6.2.3. Federal Exchange: Partnership Options

In order to solve a number of concerns and find a middle ground between a State-Administered Exchange and a Federal Exchange, Federal Partnership Options were recently introduced by HHS. The operations of the Exchange would be split between the State and federal government however HHS would manage the bulk of the project, including the set-up costs and many other problems that come with an Exchange. Most importantly, the federal government will take ownership of ensuring the Exchange meets all ACA standards, relieving Delaware of a large burden of responsibility, yet still allowing the State to maintain control of one or two core functions of the Exchange that have a direct impact on its citizens. This results in a significant financial benefit to the state, but comes at the sacrifice of ceding significant control over the solution and how it's operated.

A lack of control over an Exchange can prove to be troublesome for a State in a number of ways. Without control over key pieces such as eligibility, the States workflows may become difficult to manage in a coordinated and seamless fashion. Also, it's unclear how communication between the state and the Federal Exchange will be managed, increasing the risk of miscommunication and unawareness which can lead to a loss of opportunity to unify common support processes across programs. Although the recent guidance provides some high level information of the increased flexibility the states may have in it is impossible to assess the level of integration that will be possible with current state systems. Additionally, the funding structure of the Federal Exchange is still unclear including what costs the federal government will use to achieve self-sustainability, so with many questions that remain unanswered to get a clear picture of the true costs of this alternative.

6.2.4. Impact on State Staff

Regardless of the model Delaware selects, one area where DHSS will see an expected impact will be on its overall eligibility, case management, and customer service operations as a result of the Exchange and the expansion of the Medicaid population. The impacts of an increasing volume of cases will be most acutely felt on the eligibility staff processing applications and maintaining the caseload and customer service staff. In order to provide a baseline understanding of these impacts, PCG has performed an analysis of the additional staff that would be required to support the new caseload at different levels. For consistency purposes, this analysis assumes that Medicaid and CHIP eligibility and enrollment processes and support needs will stay consistent with current operations; however there are many factors discussed below that will ultimately impact the true effect the new populations will have on DHSS's existing operations.

The following assumptions were used in this analysis:

- There are 400 field office employees spending approximately 35.41% of their time handling the Medicaid/CHIP caseload, resulting in 141.64 FTE handling the total Medical Assistance caseload;
- There are 7 full-time staff supporting the Customer Relations call center and 8 full-time staff supporting the Division of Social Services (DSS);
- Call-center staff spend approximately 35.41% responding to Medicaid and CHIP inquiries, equivalent to field office staff;
- An increase in the caseload corresponds to an increase in demand for field office and call center supports; and
- All staff is currently utilized 100% of available time on managing activities associated with supporting Medicaid eligibility policies.

The table below details the expected increase in FTE needs for field office eligibility staff to handle the noted increase in the Medicaid and CHIP caseload. The expected FTE increase is broken out by the relationship between the increase in the caseload and the corresponding need for eligibility staff at various levels. The increase in adjusted FTE, 100% to 25% across the top of the chart, is a direct correlation to the level of automation of current business processes. For example, the 75% column indicates that a 1% increase in the caseload translates into a 0.75% increased need for staff to support the process.

Table 6-5: Estimated Eligibility Staff Impact of Medicaid Expansion

Increase in Caseload	Total Caseload	Increase in Adjusted FTE (100%)	Increase in Adjusted FTE (75%)	Increase in Adjusted FTE (50%)	Increase in Adjusted FTE (25%)
Current (Oct. 2011)	205,552	-	-	-	-
10% Increase	226,107	14.16	10.62	7.08	3.54
20% Increase	246,662	28.33	21.25	14.16	7.08
30% Increase	267,218	42.49	31.87	21.25	10.62

The table below details the expected increase in FTE needs for Delaware’s central call center staff to handle the increase in the Medicaid and CHIP caseload. The adjusted volume count is equal to 35.41% of total DSS volumes to estimate the proportion of calls specific to Medicaid/CHIP.

Table 6-6: Estimated Customer Service Staff Impact of Medicaid Expansion

Increase in Call Volume	Adjusted Customer Relations Volume	Customer Relations FTE Count	Increase in FTE	Adjusted DSS Call Center Volume	DSS Call Center Volume	Increase in FTE
Current (Oct. 2011)	22,337	7	0	14,696	8	0
10% Increase	24,571	7.70	0.70	16,166	8.80	0.80
20% Increase	26,805	8.40	1.40	17,635	9.60	1.60
30% Increase	29,039	9.10	2.10	19,105	10.40	2.40

As can be seen from the analysis above, the expected increases in the caseload for Medicaid and CHIP as a result of the ACA will have a measurable impact on DHSS

operations. Furthermore, regardless of the model chosen to operate the Exchange, these impacts are still going to be felt in some form, as Medicaid expansion and the individual mandate drive more people to request services than ever before.

While increased volume and demand for services is inevitable under any of the Exchange models, there are some key differences that need to be taken into consideration. Under the partially or State Exchange fully outsourced options, the design and workflow will be largely within its control, and Delaware may have more opportunities to centralize and streamline both its eligibility and its customer support operations between the Exchange, Medicaid, and its existing programs. Furthermore, a State Exchange control may also be able to tap into economies of scale within the state by leveraging existing capacity within DHSS and other areas to support common functions. Under the Federal Exchange options, while eligibility determinations may be handled by the Federal Exchange, the burden of enrollment and case management for Medicaid or CHIP members will continue to fall on DHSS to manage. In this case, Delaware will need to coordinate workflow and transmission of core data closely with CMS, which may be challenging.

As mentioned above, the additional FTE needed to support caseload increases, can be controlled by automation of business processes. This can also be achieved by streamlining existing business processes for improvement opportunities. In the realm of customer service, where the anticipated impacts appear much smaller in real terms, the effects of increased case loads could be aided by a more centralized approach to handling call centers as well as an increase in self-service options. Delaware will need to carefully consider these options and other steps it can take to reduce the impact of caseload expansion on its operations, especially given that large increases in human resources will not be feasible.

6.2.5. Other States' Approaches

With the ACA requirement for every state to establish an Exchange or to allow the federal government to operate an Exchange behalf of the state, it is useful to provide an assessment of where other states are with their planning process relative to Delaware and share some of the experiences and challenges states are encountering as they try to address this often vexing issue.

Rhode Island, a state that PCG has been working with since the beginning of their exchange planning process, is a good peer-state example for Delaware and an example of a state pursuing a state-administered exchange. Rhode Island has been one of a handful of states out in front in the planning and implementation process and has already submitted a Level Two Cooperative Agreement application for full implementation funding. Rhode Island's Exchange, as it is currently taking shape, will be operated by the state through a quasi-state entity, governed by an Exchange Board that was established by executive order in September 2011. To provide the needed functionality for the Exchange, Rhode Island is in the process of implementing a rules engine and pursuing a phased full replacement of its

eligibility system to address the Exchange and Medicaid's eligibility needs; and is in the process of assessing its options for solutions for the other Exchange functionality, including what may be available through the New England State's Collaborative innovator grant. In general, Rhode Island's experience has been very similar to Delaware's. With an aging technical infrastructure, the State will need to look for outside solutions for most of the Exchange's IT needs, but will still need to find a way to leverage and incorporate existing systems to greatest extent possible. Some of these outside solutions may be made available for the state to use through the New England Consortium and Innovator Grant process, however there are concerns about the pace at which those solutions are being developed or the reusability of the components, further complicating the picture for Rhode Island. Lastly, Rhode Island is also grappling with the issue of financial feasibility for its Exchange. With a smaller expected population that will utilize its Exchange than many other states, Rhode Island is looking for creative ways to reduce its overall Exchange budget to a sustainable scale, while also looking for ways in which program integration can benefit both the Exchange's bottom line and the State as a whole by sharing coming functions or services across multiple agencies.

In addition to Rhode Island, there are many other states that are embracing a state based Exchange model. Nevada, Washington, Oregon, and Wisconsin, for instance, have all taken significant steps towards establishing an Exchange. Just like Delaware, however, these states and others have struggled with all of the same questions and challenges such as how the Exchange should be governed, what model or approach it should use, how it will be financed, and how the technology needs will be addressed. In the absence of clear federal guidance and regulations, and with very different starting points in terms of their technical and operational capabilities, the individual state responses have differed significantly.

On the other hand, there are states that have so far declined to actively embrace the Exchange requirement and are looking to defer to the federal model. While relatively few states have publically announced their intentions, these states generally are either ideologically opposed to healthcare reform or are taking a wait-and-see approach to implementing an Exchange. While the uncertainty surrounding final regulations and the constitutionality of the ACA may make this seem like a logical approach, states adopting this approach are still likely to face significant challenges, especially if the ACA and its requirements are eventually upheld. In essence, states deferring the Exchange planning process for further clarity are likely to have their hands forced into utilizing the Federal Exchange given the implementation timeline realities. As a result, these states will need to address the difficulties and risks listed above for the Federal Exchange and its ability to integrate with other state systems and programs.

Lastly, there are states that are pursuing a more outsourced approach to establishing an Exchange. In Mississippi, for example, the Mississippi Risk Pool, a non-profit

organization, is exercising its authority to establish a Health Insurance Exchange, initially standing up a Shop-and-Compare portal to serve Mississippi residents. So far, however, Mississippi has not progressed enough in developing this model to readily assess the challenges it may face in implementing this solution.

6.2.6. Recommendation

From this analysis, it is clear that Delaware has a difficult decision to make on which model will be best for the State. From the available information gathered to-date, the analysis performed in producing this report, and the importance of ensuring the financial sustainability of Delaware's Exchange, the logical choice for Delaware is to pursue a Federal Exchange model and assess if one of the Federal Partnership options can provide added value by allowing the state to retain control of certain aspects of the Exchange. With its relatively small amount of uninsured individuals and a finite health insurance market, it is unlikely that Delaware will be able to adequately sustain a State Exchange even if enrollment figures exceed expectations. Further, by deferring the bulk of the Exchange IT development efforts to HHS to solve, Delaware can focus its efforts on integration points with the Exchange and Delaware's Medicaid, CHIP and Medical Assistance programs. Delaware can also focus state resources on other important IT initiatives, such as modifying the eligibility determination system and replacing its MMIS.

This recommendation comes with two very important caveats, however. First, while the cost model presented in this analysis clearly favors the Federal Exchange model, there are still many open questions on how the costs of the Federal Exchange will be charged. While HHS has stated that it does not intend to charge state exchanges to use the Federal Data Hub, it remains silent on the costs to states that elect to utilize the full functions of the Federal Exchange in lieu of a State Exchange model. Additionally, certain costs for interfaces will still need to be shared, as well as state resources to manage the integration of business workflows between HHS, Delaware DHSS, and Delaware DOI. Delaware will need to assess all of these costs when defining a sustainable revenue model. The second caveat concerns the implementation risk of going with the Federal Exchange. At the present time, the federal Exchange is in the early stages of design – little information is available to states. Without more information on what the solution will be and the timeline for its implementation, Delaware cannot be certain of what integration risks there may be as well as whether sufficient time will be made available to properly test any interfaces that will need to be developed. Therefore, a key consideration should Delaware decide to pursue a Federal Exchange model, would be to obtain assurances from HHS that the solution will be compatible with Delaware will be given the time required to properly design and test new interfaces.

6.3. Implementation Considerations for the Recommended Solution

Whether Delaware opts to implement a Federal Exchange option or a fully outsourced State Exchange, implementing all of the components, both operational and technical, in the timeframe required by the ACA will be no small feat. As the analysis alludes to, there are many implementation risks that must be addressed through the process, and Delaware must be prepared to move quickly to finalize its vision and begin defining its specific requirements.

Being able to finalize its vision and decide on a model is important for two primary reasons:

1. Level Two Establishment Application must be submitted no later than June 30, 2012
2. Should the state choose to pursue a State Exchange Model, RFP(s) to secure an Exchange solution must be prepared with enough time to allow for a reasonable Design, Development and Implementation (DDI) schedule

Without a firm model decision by February 2012, it may be difficult to adequately complete either of these important tasks. The Level Two Establishment Grant is of course a very important milestone and will allow Delaware to secure all of the funding it needs for Exchange establishment through 2014. Due to its scope and the expected size of its awards, however, the threshold for securing approval through HHS is much higher, and Delaware will need to be convincing that its proposed approach, structure, financial model, and project management plan are solid. Furthermore, there are many important deliverables that will need to be completed as part of that submission, such as a staffing plan, an implementation plan, operations plan, and financial sustainability report that will require time to develop and fully vet.

In addition to the demands of the Level Two Establishment application, a competitive procurement process will be required for Delaware to obtain the IT systems and contractor integration services it will need to support the business operations of the Exchange. Even with the Federal Exchange options, Delaware will have significant IT development tasks to design and implement interfaces with the federal solution. Additionally, Delaware will need to replicate the MAGI eligibility rules in the Eligibility Determination System to service the population that applies through other venues outside of the Exchange.

Lastly, Delaware needs to be able to establish an efficient project management structure and process to shepherd the Exchange to start-up. This management structure must ensure that all core stakeholder positions are adequately represented, but it also needs to be empowered to take ownership and control over the development process and be able make decisions quickly and effectively. With the aforementioned severe time constraints a solid, agreed upon project plan, utilizing Establishment funds as necessary to provide resources, will be essential to a successful implementation and can help mitigate some of the overall implementation risks that the state faces.

6.4. Next Steps

The most important next step coming out of this analysis is the need for Delaware to finalize its preferred model and approach to establishing an Exchange. Without this decision, it will be impossible for Delaware to progress to the next phases of the planning and implementation process, and may increasingly find itself with fewer options as time progresses and the implementation date approaches. PCG has prepared this analysis in order to help facilitate the finalization of Delaware's Exchange model and option approach and remains committed to assisting the state over the next several weeks in achieving this goal. PCG looks forward to discussing our findings with State leadership over the next several weeks.

Once a decision is made, Delaware will need to transition to tackle the following immediate next steps in the planning process:

- Gather Business and Technical Requirements - Begin the process of developing its preliminary business and technical requirements. Further definition of these requirements will assist Delaware in assessing what product options, be they commercial, State, federal, or Innovator Grantee, represent a good fit for Delaware's goals and aspirations for its Exchange.
- Prepare for CCHIO Gate Reviews – There are a series of gate reviews that Delaware will need to support beginning prior to the procurement process.
- Establish the Governance Board – The Board will need to be established in the next month or two so that bylaws, Exchange policies and operating procedures can be defined.
- Develop the Plan of Operations – Once a decision is made on the Exchange Model for Delaware and the Governance Board is established, a Plan of Operations will be developed to define how the Exchange will be structured and manage day-to-day business functions.
- There are many other activities that will need to occur in the coming months to prepare for the Level Two Grant by June 29, 2012. This decision will inform those activities and allow the state to make continued progress towards the implementation of an Exchange that best meets the needs of Delawareans.

Addendum: Delaware HBE Enrollment Assumptions

The most recent State of Delaware, Exchange Model Feasibility Study published on January 26, 2012 identified several cost estimates for the Exchange. These estimates were built using enrollment options of 5,000 and 35,000 consumers. At the January 31, 2012 meeting with CCIIO, Steve Larsen asked that Delaware provide some more detail into the Exchange enrollment estimate using existing publically available information such as RAND reports, Families USA, and Urban Institute (to name a few). This memo reports on the findings of this analysis for Delaware.

Prior Analysis for Delaware on Health Insurance Exchange Enrollment Estimates

PCG originally used a figure published by the Urban Institute of 101,000¹ consumers for an Exchange enrollment baseline in Delaware. This was the most recent count of uninsured individuals in the State. The state anticipated less newly eligible Medicaid individuals from the ACA expansions because Delaware has a mandatory Medicaid waiver for the Adults without Dependent Children. Also, there would be “churn” as “currently insured” switch coverage to Exchange products.

Prior to the submission of the Level I grant application, this estimate was refined to a more conservative exchange enrollment amount. The estimate was the average of statistics from a Families USA Lewin Report, Urban Institute Report, and University of Delaware Uninsured Study. The table below demonstrates how we came up with our Level I Grant estimate.

Key	Description	Amount	Source
	Medicaid (Current)	180,120	University of Delaware Report
	2014 (4th Qtr)	<u>225,054</u>	University of Delaware Report
A	Variance	44,934	University of Delaware Report
B	Current Uninsured	101,000	Urban Institute
C = B-A	Exchange Eligible Estimate	56,066	

¹ "Who Will Be Uninsured After Health Insurance Reform?" by Urban Institute (<http://www.urban.org/uploadedpdf/1001520-Uninsured-After-Health-Insurance-Reform.pdf>)

D	Exchange Eligible Estimate	76,800	Lewin Study
E = (C+D)/2	Average of 2 Exchange Eligible Estimates	66,433	Estimate

After the Level I grant was submitted, PCG worked with Delaware to create ranges of enrollment from 66,433, 35,000, and 5,000. This memo helps frame future estimates of Delaware Exchange enrollment for cost model purposes.

Expected Medicaid Enrollment

The University of Delaware completed a study of the current and projected Medicaid enrollment estimates pre- and post- health care reform implementation. For the sake of simplicity, a straight line average of the three statistical models utilized is included below.

Table 1: Delaware Medicaid Enrollment Estimates

	2011	2013	2014	2015	2016
Q4 Enrollment	198,659	215,427	223,811	232,195	238,483

The expected change in enrollment from the fourth quarter of 2011 to the fourth quarter of 2014 is 25,152 individuals.² A March 2011 Urban Institute Report supports this estimate, reporting an expected increase in Medicaid enrollment of 27,000 for Delaware post reform.³

Expected Exchange Enrollment

A September 2011 Urban Institute report⁴ estimated that 64,000 non-elderly Delaware residents will enroll in the Exchange post-2014. This enrollment number is slightly different from the

² Ellis, A. and Ratledge, E. August 2011. "Delaware and the Patient Protection and Affordable Care Act (ACA)." University of Delaware Center for Applied Demography and Survey Research.

³ Buettgens, M. March 2011. "Health Reform Across the States: Increased Insurance Coverage and Federal Spending on the Exchanges and Medicaid." Urban Institute and Robert Wood Johnson Foundation. <http://www.urban.org/url.cfm?ID=412310>

⁴ Dorn, S. et al. September 2011. "Using the Basic Health Program to Make Coverage More Affordable to Low Income Households: A Promising Approach Many States." Urban Institute Health Policy Center.

March 2011 Urban Institute report⁵, which estimated Exchange enrollment at 61,000. Additionally, Families USA estimated that 32,200 uninsured Delawareans will be eligible for premium subsidies in 2014.⁶

In July 2011, North Carolina released Exchange enrollment estimates prepared by Milliman, Inc.⁷ Expected Exchange enrollment was equivalent to eight percent of the current small group market, 68 percent of the current individual market, and 28 percent of the current uninsured population. Oregon⁸ and Illinois⁹ released similar studies with higher expected participation in the small group market and significantly lower participation in the individual market. The percent allocation of individuals and small group members from all three states was applied to the Delaware market to calculate the enrollment estimates provided in Table 2.

Wyoming has taken a simpler and more conservative approach, averaging the Families USA estimate for the total uninsured, subsidy-eligible population and the Urban Institute expected number of newly insured post-reform less the expected number of new Medicaid enrollees post reform. This approach is also reflected in the table below

Table 2: Delaware Exchange Enrollment Estimates

	Urban Institute Mar. 2011	Urban Institute Sept. 2011	North Carolina Methodology	Illinois Methodology	Oregon Methodology	Wyoming Methodology
Small Group			4,069	10,742	14,392	
Individual			41,215	19,865	20,135	
Total Delaware HBE Enrollment	61,000	64,000	45,284	30,607	34,527	29,100

⁵ Buettgens, M. March 2011. "Health Reform Across the States: Increased Insurance Coverage and Federal Spending on the Exchanges and Medicaid." Urban Institute and Robert Wood Johnson Foundation. <http://www.urban.org/url.cfm?ID=412310>

⁶ Sullivan J. and Stoll K. September 2010. "Lower Taxes, Lower Premiums: The New Health Insurance Tax Credit in Delaware." Families USA. <http://www.familiesusa.org/assets/pdfs/health-reform/premium-tax-credits/Delaware.pdf>

⁷ Milliman Report for the North Carolina Department of Insurance. July 18, 2011.

⁸ Oregon Health Insurance Exchange Corporation. "Oregon Health Insurance Exchange Corporation Business Plan." February 2012.

⁹ HMA and Wakely Consulting. "Illinois Exchange Strategic and Operational Needs Assessment." September 2011.

The total estimated Exchange enrollment for North Carolina in 2014 matches that of the Urban Institute Sept 2011 estimate for that state. Estimates for Oregon and Illinois expect a longer ramp-up period, with enrollment estimates nearing the Urban Institute Sept 2011 estimate in 2016.

A 2010 RAND Corporation report¹⁰ provided the following projections of small business behavior using a utility based model. Of those firms offering insurance after 2014, RAND predicts that 60 percent will participate in the Exchange.

Table 3: RAND Corporation Expected Offer Rates Among Small Businesses (National Average)

	Less than 10 employees	10 to 25 employees	26 to 100 employees
Post-Reform Offer Rate	77%	90%	100%

Using 2010 Medical Expenditure Panel Survey (MEPS) results and applying RAND projections for offer rates and Exchange participation, the following estimates were calculated for Delaware.

Table 4: Delaware Small Group Enrollment using RAND Offer Rate and Exchange Participation Estimates

		Less than 10	10 to 24	25 to 99
A.	Current number of private sector firms	11,642	2,345	1,854
B.	Current number of private sector employees	39,839	30,349	47,927
C.	Average number of employees per firm (=B/A)	3	13	26
D.	Current offer rate	0.31	0.73	0.89
E.	RAND expected offer rate	0.77	0.90	1.00
F.	Current Number of firms offering	3,551	1,702	1,650

¹⁰ Eibner, C. et al. 2010. "Establishing State Health Insurance Exchanges: Implications for Health Insurance Enrollment, Spending, and Small Businesses." RAND Corporation.

	insurance (=A*D)			
G.	Number of firms offering insurance after 2014 (=A*E)	8,964	2,111	1,854
H.	Self-Insured Firms, estimated at 12.5% for small group from MEPS data (=G*12.5%)	1,121	264	232
I.	Number of firms offering fully insured health plans after 2014 (=G-H)	7,844	1,847	1,622
J.	RAND estimate for Exchange participation, 60% of firms (=I*60%)	4,706	1,108	973
K.	Number of employees offered Exchange plans (=J*C)	16,105	14,340	25,162
L.	Current take up rate from MEPS data	0.61	0.60	0.53
	Small Group Exchange Enrollee Estimate (=K*L)	9,856	8,575	13,436

Analysis using RAND estimates is somewhat limited by the classification of firm size since there is no separation within the 25-99 grouping to show firms with fewer than 50 employees. However, taken as an estimate of Exchange enrollment in 2016, the total small group enrollee projection is 31,867. This estimate assumes that the take-up rate and self-insured rate remain the same post-health care reform, which is likely a conservative assumption. Adding the individual market exchange enrollment estimate would bring the total exchange estimate to more than 50,000 enrollees.

Conclusion

The national thought leadership organizations (Urban Institute (March 2011), Urban Institute (September 2011), and RAND) have developed models that predict a higher enrollment figure for the Delaware Exchange. All three models predict the Exchange in Delaware to exceed 50,000 enrollees. Applying the state specific studies in NC, OR, IL, and WY to Delaware creates a slightly more conservative estimate. The average of the 4 methods yields an enrollment of 34,880 for the Delaware Exchange. Based on the findings of this review, the original median value (35,000) seems most reasonable and could be used for cost and pricing purposes of the Delaware Exchange options.

As demonstrated in the cost model analysis, even with enrollment at a level of 35,000, a state-based exchange option will be a significant investment and presents a significant hurdle to achieve self-sustainability by 2015. State Exchange costs were analyzed by evaluating two options:

- **Partially Outsourced Option** - if the state exchange staffed some operational functions and outsourced others

	5,000 Enrollees	35,000 Enrollees
Total Costs	\$5,204,971.00	\$6,554,473.00
Revised PMPM	\$86.75	\$15.61
PMPM – All Non ERISA Plans	\$5.31	\$4.89

- **Fully Outsourced Option** – all functions of the state exchange were outsourced to a full solution vendor, the state would need to support governance and oversight of the vendor

	5,000 Enrollees	35,000 Enrollees
Total Costs	\$2,149,081.50	\$4,534,988.08
Revised PMPM	\$35.82	\$10.80
PMPM – All Non ERISA Plans	\$2.19	\$3.38

Cost estimates are conservative compared to other states due to Delaware’s finite uninsured population, a lean governance structure was recommended to control costs to the extent possible. In the CCIIO meeting in January, Steve Larsen recognized that cost estimates were low compared to other states’ estimates. Even with a conservative cost estimate, a state exchange model will be challenging to support.

Revenue Model assumptions:

- **Revised PMPM** – This is the cost of the state exchange applied across only the enrollee (policies) sold through the exchange.
- **PMPM – All Non ERISA Plans** – This is the cost of the state exchange applied across all policies sold in the Delaware insurance market with the exception of self-funded plans.

Total individual monthly premium costs, in Delaware, based on the actuarial analysis completed recently showed 2010 were \$238 PMPM and estimates that premiums will increase by approximately 32% to \$311, with the implementation of a guaranteed issue exchange. Any additional assessment on policies across the Delaware insurance market will impact the Medical Loss Ratio for carriers (unless assessed as a state tax) and/or may indirectly affect consumers through further increased premiums, so there needs to be a sensitivity to total costs and developing a sustainable revenue model.