



South Carolina Department of Insurance

MARK SANFORD
Governor

SCOTT H. RICHARDSON
Director of Insurance

August 31, 2010

The Office of Consumer Information and Insurance Oversight
200 Independence Avenue, S.W.
Washington, D.C. 20201

Dear OCIO Staff:

It is my pleasure to submit South Carolina's grant application for the first cycle of the Exchange Planning and Establishment Grants provided under the Affordable Care Act (ACA).

The South Carolina Department of Insurance (Department) is the designated entity responsible for ensuring the successful completion of the first cycle of the grant. The Department has existing authority to oversee and coordinate the proposed activities.

The Department intends to use the grant funds to do 1) Background Research, Data Collection and Analysis; 2) Exchange Formation and Governance; 3) Exchange Implementation Strategy, and 4) Policy Recommendations.

Andy Dvorine will serve as the Department Principal Investigator for the project. Andy's contact information is shown below:

Andy Dvorine, ASA, MAAA
Associate Actuary
South Carolina Department of Insurance
145 King Street, Suite 228
Charleston, SC 29401
Phone: 843-577-3417
Fax: 843-722-6105
E-mail: advorine@doi.sc.gov

I look forward to our continued partnership in implementing the important reforms to our health care system provided under the Affordable Care Act.

Sincerely,

A handwritten signature in blue ink that reads "Scott H. Richardson".

Scott H. Richardson, CPCU
Director

Opportunity Title:	State Planning and Establishment Grants for the Affordability
Offering Agency:	Ofc of Consumer Information & Insurance Oversight
CFDA Number:	93.525
CFDA Description:	State Planning and Establishment Grants for the Affordability
Opportunity Number:	IE-HBE-10-001
Competition ID:	IE-HBE-10-001-011777
Opportunity Open Date:	07/29/2010
Opportunity Close Date:	09/01/2010
Agency Contact:	Donna Laverdiere Office of Consumer Information and Insurance Oversight Department of Health and Human Services (301) 492-4145 Donna.Laverdiere@hhs.gov

This electronic grants application is intended to be used to apply for the specific Federal funding opportunity referenced here.

If the Federal funding opportunity listed is not the opportunity for which you want to apply, close this application package by clicking on the "Cancel" button at the top of this screen. You will then need to locate the correct Federal funding opportunity, download its application and then apply.

This opportunity is only open to organizations, applicants who are submitting grant applications on behalf of a company, state, local or tribal government, academia, or other type of organization.

* **Application Filing Name:**

Mandatory Documents

Move Form to Complete

Move Form to Delete

Mandatory Documents for Submission

Application for Federal Assistance (SF-424)
Other Attachments Form
Project Abstract Summary
Project/Performance Site Location(s)
Project Narrative Attachment Form
Budget Narrative Attachment Form
Budget Information for Non-Construction Program

Optional Documents

Move Form to Submission List

Move Form to Delete

Optional Documents for Submission

Instructions

- 1** Enter a name for the application in the Application Filing Name field.
 - This application can be completed in its entirety offline; however, you will need to login to the Grants.gov website during the submission process.
 - You can save your application at any time by clicking the "Save" button at the top of your screen.
 - The "Save & Submit" button will not be functional until all required data fields in the application are completed and you clicked on the "Check Package for Errors" button and confirmed all data required data fields are completed.

- 2** Open and complete all of the documents listed in the "Mandatory Documents" box. Complete the SF-424 form first.
 - It is recommended that the SF-424 form be the first form completed for the application package. Data entered on the SF-424 will populate data fields in other mandatory and optional forms and the user cannot enter data in these fields.
 - The forms listed in the "Mandatory Documents" box and "Optional Documents" may be predefined forms, such as SF-424, forms where a document needs to be attached, such as the Project Narrative or a combination of both. "Mandatory Documents" are required for this application. "Optional Documents" can be used to provide additional support for this application or may be required for specific types of grant activity. Reference the application package instructions for more information regarding "Optional Documents".
 - To open and complete a form, simply click on the form's name to select the item and then click on the => button. This will move the document to the appropriate "Documents for Submission" box and the form will be automatically added to your application package. To view the form, scroll down the screen or select the form name and click on the "Open Form" button to begin completing the required data fields. To remove a form/document from the "Documents for Submission" box, click the document name to select it, and then click the <= button. This will return the form/document to the "Mandatory Documents" or "Optional Documents" box.
 - All documents listed in the "Mandatory Documents" box must be moved to the "Mandatory Documents for Submission" box. When you open a required form, the fields which must be completed are highlighted in yellow with a red border. Optional fields and completed fields are displayed in white. If you enter invalid or incomplete information in a field, you will receive an error message.

- 3** Click the "Save & Submit" button to submit your application to Grants.gov.
 - Once you have properly completed all required documents and attached any required or optional documentation, save the completed application by clicking on the "Save" button.
 - Click on the "Check Package for Errors" button to ensure that you have completed all required data fields. Correct any errors or if none are found, save the application package.
 - The "Save & Submit" button will become active; click on the "Save & Submit" button to begin the application submission process.
 - You will be taken to the applicant login page to enter your Grants.gov username and password. Follow all onscreen instructions for submission.

Application for Federal Assistance SF-424

* 1. Type of Submission: <input type="checkbox"/> Preapplication <input checked="" type="checkbox"/> Application <input type="checkbox"/> Changed/Corrected Application	* 2. Type of Application: <input checked="" type="checkbox"/> New <input type="checkbox"/> Continuation <input type="checkbox"/> Revision	* If Revision, select appropriate letter(s): <input type="text"/> * Other (Specify): <input type="text"/>
--	--	--

* 3. Date Received: <input type="text" value="08/31/2010"/>	4. Applicant Identifier: <input type="text"/>
--	--

5a. Federal Entity Identifier: <input type="text" value="57-62805003"/>	5b. Federal Award Identifier: <input type="text"/>
--	---

State Use Only:

6. Date Received by State: <input type="text"/>	7. State Application Identifier: <input type="text"/>
---	---

8. APPLICANT INFORMATION:

* a. Legal Name:

* b. Employer/Taxpayer Identification Number (EIN/TIN): <input type="text" value="57-600286"/>	* c. Organizational DUNS: <input type="text" value="9628050030000"/>
---	---

d. Address:

* Street1:	<input type="text" value="1201 Main Street, Suite 1000"/>
Street2:	<input type="text"/>
* City:	<input type="text" value="Columbia"/>
County/Parish:	<input type="text"/>
* State:	<input type="text" value="SC: South Carolina"/>
Province:	<input type="text"/>
* Country:	<input type="text" value="USA: UNITED STATES"/>
* Zip / Postal Code:	<input type="text" value="29201-3291"/>

e. Organizational Unit:

Department Name: <input type="text" value="SC Department of Insurance"/>	Division Name: <input type="text" value="Legal Services"/>
---	---

f. Name and contact information of person to be contacted on matters involving this application:

Prefix: <input type="text" value="Ms."/>	* First Name: <input type="text" value="Cathy"/>
Middle Name: <input type="text"/>	
* Last Name: <input type="text" value="Cauthen"/>	
Suffix: <input type="text"/>	
Title: <input type="text" value="ACA Coordinator"/>	

Organizational Affiliation:

* Telephone Number: <input type="text" value="803-737-6805"/>	Fax Number: <input type="text" value="803-737-6159"/>
---	---

* Email:

Application for Federal Assistance SF-424

*** 9. Type of Applicant 1: Select Applicant Type:**

A: State Government

Type of Applicant 2: Select Applicant Type:

Type of Applicant 3: Select Applicant Type:

* Other (specify):

*** 10. Name of Federal Agency:**

Ofc of Consumer Information & Insurance Oversight

11. Catalog of Federal Domestic Assistance Number:

93.525

CFDA Title:

State Planning and Establishment Grants for the Affordable Care Act (ACA)-s Exchanges

*** 12. Funding Opportunity Number:**

IE-HBE-10-001

* Title:

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

13. Competition Identification Number:

IE-HBE-10-001-011777

Title:

14. Areas Affected by Project (Cities, Counties, States, etc.):

Add Attachment

Delete Attachment

View Attachment

*** 15. Descriptive Title of Applicant's Project:**

SC Exchange Planning and Establishment Grant

Attach supporting documents as specified in agency instructions.

Add Attachments

Delete Attachments

View Attachments

Application for Federal Assistance SF-424

16. Congressional Districts Of:

* a. Applicant

b. Program/Project

Attach an additional list of Program/Project Congressional Districts if needed.

Add Attachment

Delete Attachment

View Attachment

17. Proposed Project:

* a. Start Date:

* b. End Date:

18. Estimated Funding (\$):

* a. Federal	<input type="text" value="1,000,000.00"/>
* b. Applicant	<input type="text" value="0.00"/>
* c. State	<input type="text" value="0.00"/>
* d. Local	<input type="text" value="0.00"/>
* e. Other	<input type="text" value="0.00"/>
* f. Program Income	<input type="text" value="0.00"/>
* g. TOTAL	<input type="text" value="1,000,000.00"/>

*** 19. Is Application Subject to Review By State Under Executive Order 12372 Process?**

a. This application was made available to the State under the Executive Order 12372 Process for review on

b. Program is subject to E.O. 12372 but has not been selected by the State for review.

c. Program is not covered by E.O. 12372.

*** 20. Is the Applicant Delinquent On Any Federal Debt? (If "Yes," provide explanation in attachment.)**

Yes No

If "Yes", provide explanation and attach

Add Attachment

Delete Attachment

View Attachment

21. *By signing this application, I certify (1) to the statements contained in the list of certifications and (2) that the statements herein are true, complete and accurate to the best of my knowledge. I also provide the required assurances** and agree to comply with any resulting terms if I accept an award. I am aware that any false, fictitious, or fraudulent statements or claims may subject me to criminal, civil, or administrative penalties. (U.S. Code, Title 218, Section 1001)**

** I AGREE

** The list of certifications and assurances, or an internet site where you may obtain this list, is contained in the announcement or agency specific instructions.

Authorized Representative:

Prefix: * First Name:

Middle Name:

* Last Name:

Suffix:

* Title:

* Telephone Number: Fax Number:

* Email:

* Signature of Authorized Representative:

* Date Signed:

Other Attachment File(s)

* **Mandatory Other Attachment Filename:**

[Add Mandatory Other Attachment](#)

[Delete Mandatory Other Attachment](#)

[View Mandatory Other Attachment](#)

To add more "Other Attachment" attachments, please use the attachment buttons below.

[Add Optional Other Attachment](#)

[Delete Optional Other Attachment](#)

[View Optional Other Attachment](#)

Project Abstract Summary

Program Announcement (CFDA)

93.525

*** Program Announcement (Funding Opportunity Number)**

IE-HBE-10-001

*** Closing Date**

09/01/2010

*** Applicant Name**

South Carolina Department of Insurance

*** Length of Proposed Project**

12

Application Control No.

Federal Share Requested (for each year)

*** Federal Share 1st Year**

\$ 1,000,000

*** Federal Share 2nd Year**

\$ 0

*** Federal Share 3rd Year**

\$ 0

*** Federal Share 4th Year**

\$ 0

*** Federal Share 5th Year**

\$ 0

Non-Federal Share Requested (for each year)

*** Non-Federal Share 1st Year**

\$ 0

*** Non-Federal Share 2nd Year**

\$ 0

*** Non-Federal Share 3rd Year**

\$ 0

*** Non-Federal Share 4th Year**

\$ 0

*** Non-Federal Share 5th Year**

\$ 0

*** Project Title**

SC Exchange Planning and Establishment Grant

Project Abstract Summary

* Project Summary

South Carolina is seeking \$1,000,000 to determine the feasibility of establishing a health insurance exchange or exchanges (Exchange) in this state in accordance with the provisions of the Affordable Care Act (ACA). This project will be accomplished in the phases more particularly described below.

Phase I: Background Research, Data Collection and Analysis

During this phase, we will conduct demographic research and analyze the health insurance market to better understand the needs of the state. Research will determine 1) the number of uninsured in the State, including, but not limited to, those potentially eligible for the Exchange and those eligible for Medicaid or their employer's coverage and currently not enrolled; 2) an estimate of those who will be newly eligible for Medicaid or the Exchange, including an estimate of those who may be eligible for subsidies through the Exchange'; and 3) an assessment of the insured population and the source, cost and nature of their coverage. This research will consider existing data and build upon previous studies. Additionally, we will obtain qualitative data from key stakeholders on the design, operation and function of the Exchange. This information will be used to develop financial models to estimate the cost of establishing and operating an Exchange and to evaluate various policy and Exchange design issues.

Phase II: Exchange Formation and Governance

A South Carolina Health Exchange Planning Committee (SCHEPC) will be formed to assist with certain grant activities. SCHEPC shall consist of the project team, key stakeholders and state officials as set forth in the project narrative. The research results and other information will be used to determine whether it is advisable and feasible for South Carolina to operate the Exchange, and if so, what the Exchange should look like and how it should function. The SCHEPC through its consultants, working groups and task forces will assess a variety of issues including: 1) whether to operate a multi-state or regional Exchanges; 2) the appropriate governance structure for the Exchange; 3) proper integration with existing state and federal programs, including the integration of HIE Exchange standards for program interoperability; 4) the extent of business operations, including an evaluation of options for state flexibility; 5) needed resources and capabilities, including staffing and information technology requirements; 6) appropriate auditing and accounting standards, including mechanisms to ensure transparency and proper internal controls and reporting standards; and 7) the most appropriate funding mechanism.

Phase III: Exchange Implementation Strategy

The SCHEPC will provide a detailed report on the issues that may impact the successful implementation of an Exchange. Assuming it is advisable and feasible for South Carolina to operate an Exchange, a timeline and detailed implementation plan and budget for Exchange development will be produced. In addition, the scope and detail of any required conforming or enabling legislation and any necessary policies and procedures for the Exchange will be identified.

Phase IV: Policy Recommendations

The information derived from all phases of this grant will be used to generate a final report to be presented to the Governor, South Carolina General Assembly and Secretary of the U.S. Department of Health and Human Services with policy recommendations on the feasibility of establishing an Exchange in this state and a detailed implementation and funding strategy, if applicable.

* Estimated number of people to be served as a result of the award of this grant.

700000

Project/Performance Site Location(s)

Project/Performance Site Primary Location I am submitting an application as an individual, and not on behalf of a company, state, local or tribal government, academia, or other type of organization.

Organization Name:

DUNS Number:

* Street1:

Street2:

* City: County:

* State:

Province:

* Country:

* ZIP / Postal Code: * Project/ Performance Site Congressional District:

Project/Performance Site Location 1 I am submitting an application as an individual, and not on behalf of a company, state, local or tribal government, academia, or other type of organization.

Organization Name:

DUNS Number:

* Street1:

Street2:

* City: County:

* State:

Province:

* Country:

* ZIP / Postal Code: * Project/ Performance Site Congressional District:

Additional Location(s)

Project Narrative File(s)

* **Mandatory Project Narrative File Filename:**

[Add Mandatory Project Narrative File](#)

[Delete Mandatory Project Narrative File](#)

[View Mandatory Project Narrative File](#)

To add more Project Narrative File attachments, please use the attachment buttons below.

[Add Optional Project Narrative File](#)

[Delete Optional Project Narrative File](#)

[View Optional Project Narrative File](#)

Budget Narrative File(s)

* **Mandatory Budget Narrative Filename:**

To add more Budget Narrative attachments, please use the attachment buttons below.

BUDGET INFORMATION - Non-Construction Programs

SECTION A - BUDGET SUMMARY

Grant Program Function or Activity (a)	Catalog of Federal Domestic Assistance Number (b)	Estimated Unobligated Funds		New or Revised Budget		
		Federal (c)	Non-Federal (d)	Federal (e)	Non-Federal (f)	Total (g)
1. Research and Analysis	93.525	\$	\$	\$ 610,000.00	\$	\$ 610,000.00
2. Staff	93.525			255,000.00		255,000.00
3. Equipment and Office Space	93.525			135,000.00		135,000.00
4.						
5. Totals		\$	\$	\$ 1,000,000.00	\$	\$ 1,000,000.00

SECTION B - BUDGET CATEGORIES

6. Object Class Categories	GRANT PROGRAM, FUNCTION OR ACTIVITY				Total (5)
	(1) Research and Analysis	(2) Staff	(3) Equipment and Office Space	(4)	
a. Personnel	\$	142,000.00	\$	\$	142,000.00
b. Fringe Benefits		48,000.00			48,000.00
c. Travel		15,000.00			15,000.00
d. Equipment			20,000.00		20,000.00
e. Supplies			10,000.00		10,000.00
f. Contractual	610,000.00				610,000.00
g. Construction					
h. Other			105,000.00		105,000.00
i. Total Direct Charges (sum of 6a-6h)	610,000.00	205,000.00	135,000.00	\$	\$ 950,000.00
j. Indirect Charges		50,000.00		\$	\$ 50,000.00
k. TOTALS (sum of 6i and 6j)	\$ 610,000.00	\$ 255,000.00	\$ 135,000.00	\$	\$ 1,000,000.00
7. Program Income	\$		\$	\$	

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SECTION C - NON-FEDERAL RESOURCES

(a) Grant Program	(b) Applicant	(c) State	(d) Other Sources	(e) TOTALS
8. Staff	\$	\$	\$	\$
9. Equipment and Office Space				
10.				
11.				
12. TOTAL (sum of lines 8-11)	\$	\$	\$	\$

SECTION D - FORECASTED CASH NEEDS

	Total for 1st Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
13. Federal	\$ 1,000,000.00	\$ 350,250.00	\$ 289,250.00	\$ 208,250.00	\$ 152,250.00
14. Non-Federal	\$				
15. TOTAL (sum of lines 13 and 14)	\$ 1,000,000.00	\$ 350,250.00	\$ 289,250.00	\$ 208,250.00	\$ 152,250.00

SECTION E - BUDGET ESTIMATES OF FEDERAL FUNDS NEEDED FOR BALANCE OF THE PROJECT

(a) Grant Program	FUTURE FUNDING PERIODS (YEARS)			
	(b) First	(c) Second	(d) Third	(e) Fourth
16. Staff	\$	\$	\$	\$
17. Equipment and Office Space				
18.				
19.				
20. TOTAL (sum of lines 16 - 19)	\$	\$	\$	\$

SECTION F - OTHER BUDGET INFORMATION

21. Direct Charges:		22. Indirect Charges:	
23. Remarks:			

ASSURANCES - NON-CONSTRUCTION PROGRAMS

Public reporting burden for this collection of information is estimated to average 15 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0040), Washington, DC 20503.

PLEASE DO NOT RETURN YOUR COMPLETED FORM TO THE OFFICE OF MANAGEMENT AND BUDGET. SEND IT TO THE ADDRESS PROVIDED BY THE SPONSORING AGENCY.

NOTE: Certain of these assurances may not be applicable to your project or program. If you have questions, please contact the awarding agency. Further, certain Federal awarding agencies may require applicants to certify to additional assurances. If such is the case, you will be notified.

As the duly authorized representative of the applicant, I certify that the applicant:

1. Has the legal authority to apply for Federal assistance and the institutional, managerial and financial capability (including funds sufficient to pay the non-Federal share of project cost) to ensure proper planning, management and completion of the project described in this application.
2. Will give the awarding agency, the Comptroller General of the United States and, if appropriate, the State, through any authorized representative, access to and the right to examine all records, books, papers, or documents related to the award; and will establish a proper accounting system in accordance with generally accepted accounting standards or agency directives.
3. Will establish safeguards to prohibit employees from using their positions for a purpose that constitutes or presents the appearance of personal or organizational conflict of interest, or personal gain.
4. Will initiate and complete the work within the applicable time frame after receipt of approval of the awarding agency.
5. Will comply with the Intergovernmental Personnel Act of 1970 (42 U.S.C. §§4728-4763) relating to prescribed standards for merit systems for programs funded under one of the 19 statutes or regulations specified in Appendix A of OPM's Standards for a Merit System of Personnel Administration (5 C.F.R. 900, Subpart F).
6. Will comply with all Federal statutes relating to nondiscrimination. These include but are not limited to: (a) Title VI of the Civil Rights Act of 1964 (P.L. 88-352) which prohibits discrimination on the basis of race, color or national origin; (b) Title IX of the Education Amendments of 1972, as amended (20 U.S.C. §§1681-1683, and 1685-1686), which prohibits discrimination on the basis of sex; (c) Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. §794), which prohibits discrimination on the basis of handicaps; (d) the Age Discrimination Act of 1975, as amended (42 U.S.C. §§6101-6107), which prohibits discrimination on the basis of age; (e) the Drug Abuse Office and Treatment Act of 1972 (P.L. 92-255), as amended, relating to nondiscrimination on the basis of drug abuse; (f) the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act of 1970 (P.L. 91-616), as amended, relating to nondiscrimination on the basis of alcohol abuse or alcoholism; (g) §§523 and 527 of the Public Health Service Act of 1912 (42 U.S.C. §§290 dd-3 and 290 ee- 3), as amended, relating to confidentiality of alcohol and drug abuse patient records; (h) Title VIII of the Civil Rights Act of 1968 (42 U.S.C. §§3601 et seq.), as amended, relating to nondiscrimination in the sale, rental or financing of housing; (i) any other nondiscrimination provisions in the specific statute(s) under which application for Federal assistance is being made; and, (j) the requirements of any other nondiscrimination statute(s) which may apply to the application.
7. Will comply, or has already complied, with the requirements of Titles II and III of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (P.L. 91-646) which provide for fair and equitable treatment of persons displaced or whose property is acquired as a result of Federal or federally-assisted programs. These requirements apply to all interests in real property acquired for project purposes regardless of Federal participation in purchases.
8. Will comply, as applicable, with provisions of the Hatch Act (5 U.S.C. §§1501-1508 and 7324-7328) which limit the political activities of employees whose principal employment activities are funded in whole or in part with Federal funds.

9. Will comply, as applicable, with the provisions of the Davis-Bacon Act (40 U.S.C. §§276a to 276a-7), the Copeland Act (40 U.S.C. §276c and 18 U.S.C. §874), and the Contract Work Hours and Safety Standards Act (40 U.S.C. §§327-333), regarding labor standards for federally-assisted construction subagreements.
10. Will comply, if applicable, with flood insurance purchase requirements of Section 102(a) of the Flood Disaster Protection Act of 1973 (P.L. 93-234) which requires recipients in a special flood hazard area to participate in the program and to purchase flood insurance if the total cost of insurable construction and acquisition is \$10,000 or more.
11. Will comply with environmental standards which may be prescribed pursuant to the following: (a) institution of environmental quality control measures under the National Environmental Policy Act of 1969 (P.L. 91-190) and Executive Order (EO) 11514; (b) notification of violating facilities pursuant to EO 11738; (c) protection of wetlands pursuant to EO 11990; (d) evaluation of flood hazards in floodplains in accordance with EO 11988; (e) assurance of project consistency with the approved State management program developed under the Coastal Zone Management Act of 1972 (16 U.S.C. §§1451 et seq.); (f) conformity of Federal actions to State (Clean Air) Implementation Plans under Section 176(c) of the Clean Air Act of 1955, as amended (42 U.S.C. §§7401 et seq.); (g) protection of underground sources of drinking water under the Safe Drinking Water Act of 1974, as amended (P.L. 93-523); and, (h) protection of endangered species under the Endangered Species Act of 1973, as amended (P.L. 93-205).
12. Will comply with the Wild and Scenic Rivers Act of 1968 (16 U.S.C. §§1271 et seq.) related to protecting components or potential components of the national wild and scenic rivers system.
13. Will assist the awarding agency in assuring compliance with Section 106 of the National Historic Preservation Act of 1966, as amended (16 U.S.C. §470), EO 11593 (identification and protection of historic properties), and the Archaeological and Historic Preservation Act of 1974 (16 U.S.C. §§469a-1 et seq.).
14. Will comply with P.L. 93-348 regarding the protection of human subjects involved in research, development, and related activities supported by this award of assistance.
15. Will comply with the Laboratory Animal Welfare Act of 1966 (P.L. 89-544, as amended, 7 U.S.C. §§2131 et seq.) pertaining to the care, handling, and treatment of warm blooded animals held for research, teaching, or other activities supported by this award of assistance.
16. Will comply with the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. §§4801 et seq.) which prohibits the use of lead-based paint in construction or rehabilitation of residence structures.
17. Will cause to be performed the required financial and compliance audits in accordance with the Single Audit Act Amendments of 1996 and OMB Circular No. A-133, "Audits of States, Local Governments, and Non-Profit Organizations."
18. Will comply with all applicable requirements of all other Federal laws, executive orders, regulations, and policies governing this program.

<p>* SIGNATURE OF AUTHORIZED CERTIFYING OFFICIAL</p> <p>Cathy Cauthen</p>	<p>* TITLE</p> <p>Director</p>
<p>* APPLICANT ORGANIZATION</p> <p>South Carolina Department of Insurance</p>	<p>* DATE SUBMITTED</p> <p>08/31/2010</p>

DISCLOSURE OF LOBBYING ACTIVITIES

Complete this form to disclose lobbying activities pursuant to 31 U.S.C.1352

Approved by OMB
0348-0046

1. * Type of Federal Action: <input type="checkbox"/> a. contract <input checked="" type="checkbox"/> b. grant <input type="checkbox"/> c. cooperative agreement <input type="checkbox"/> d. loan <input type="checkbox"/> e. loan guarantee <input type="checkbox"/> f. loan insurance	2. * Status of Federal Action: <input type="checkbox"/> a. bid/offer/application <input checked="" type="checkbox"/> b. initial award <input type="checkbox"/> c. post-award	3. * Report Type: <input checked="" type="checkbox"/> a. initial filing <input type="checkbox"/> b. material change
--	--	--

4. Name and Address of Reporting Entity:

Prime SubAwardee

* Name: South Carolina Department of Insurance

* Street 1: 1201 Main Street, Suite 1000 * Street 2: _____

* City: Columbia * State: SC: South Carolina * Zip: 29201

Congressional District, if known: SC-002

5. If Reporting Entity in No.4 is Subawardee, Enter Name and Address of Prime:

6. * Federal Department/Agency: US Depart of Health and Human Services	7. * Federal Program Name/Description: State Planning and Establishment Grants for the Affordable Care Act (ACA)-s Exchanges CFDA Number, if applicable: 93.525
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8. Federal Action Number, if known: _____	9. Award Amount, if known: \$ _____
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10. a. Name and Address of Lobbying Registrant:

Prefix _____ * First Name N/A Middle Name _____

* Last Name N/A Suffix _____

* Street 1 _____ * Street 2 _____

* City _____ * State _____ * Zip _____

b. Individual Performing Services (including address if different from No. 10a)

Prefix _____ * First Name N/A Middle Name _____

* Last Name N/A Suffix _____

* Street 1 _____ * Street 2 _____

* City _____ * State _____ * Zip _____

11. Information requested through this form is authorized by title 31 U.S.C. section 1352. This disclosure of lobbying activities is a material representation of fact upon which reliance was placed by the tier above when the transaction was made or entered into. This disclosure is required pursuant to 31 U.S.C. 1352. This information will be reported to the Congress semi-annually and will be available for public inspection. Any person who fails to file the required disclosure shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

* Signature: Cathy Cauthen

* Name: Prefix _____ * First Name Scott Middle Name _____
* Last Name Richardson Suffix _____

Title: Director Telephone No.: 803-737-6805 Date: 08/31/2010

PROJECT NARRATIVE

A. Project Overview

The South Carolina Department of Insurance (DOI) submits this application for planning grant funds to determine the feasibility of establishing a health insurance exchange or exchanges (Exchange) in this state in accordance with the requirements of the Affordable Care Act (ACA). In collaboration with its partners and key stakeholders, DOI will conduct research and collect the data necessary to make informed decisions on the feasibility of South Carolina operating an Exchange and, if so, what it should look like and how it should function. This project will be conducted under the supervision of a Principal Investigator and a Project Manager with the assistance of an inter-agency project team and the South Carolina Health Exchange Planning Committee (SCHEPC). The project will be conducted in the following phases: 1) Background Research, Data Collection and Analysis; 2) Exchange Formation and Governance; 3) Exchange Implementation Strategy, and 4) Policy Recommendations. What follows is a summary of each of the grant phases.

Phase I: Background Research, Data Collection and Analysis

We will engage in demographic research and analysis of the health insurance marketplace to better understand the needs of the state and to determine:

- the number of uninsured in the state, including those who may be eligible for coverage under the Exchange; those currently eligible for Medicaid or Partners for Healthy Children (S-CHIP) but not enrolled; and those employees eligible for their employer's health plan, but not enrolled;
- the types and costs of insurance products available in the South Carolina health insurance market including: a) plan designs offered by insurers and the premium levels for these plans; b) the size of each market segment (individual, small group, large group and grandfathered); and c) the potential enrollment in the Exchange for the individual and small group markets, including those who may be eligible for subsidies through the Exchange and/ or eligible for a basic plan;¹
- estimates of those who will be newly eligible for Medicaid and S-CHIP as a result of the ACA;
- the cost to the State of including state mandates in coverage offered through the Exchange;

¹ Some of this information will be available via the data call that will be conducted as a part of the *South Carolina Rate Review Process and IT Infrastructure Enhancement Grant*.

- economic and actuarial models necessary to project trends such as the a) number of newly insured, and b) the impact of rating restrictions and other market reforms that become effective in 2014 on premium levels and any potential cost/savings to the state budget;
- economic and actuarial modeling of various policy issues including but not limited to a) developing a Basic Health Plan, b) merging of the non-group and small group markets, c) changing Medical Loss Ratio (MLR) requirements in the non-group/small group markets per the ACA, and d) expanding the definition of the small group market; and
- a financial model for the Exchange including break-even analysis, level of administrative surcharge, cash-flow modeling, etc.

With our partners and other stakeholders, we plan to engage in the following activities:

a. Review and Summarize Existing Data on the Uninsured

The Project Manager, with the assistance of the members of the Project Team, will thoroughly examine and summarize the existing data on the current status of the uninsured in South Carolina. These data will include demographic information regarding socioeconomic and characteristics of the uninsured and other persons eligible for coverage through the Exchange.

The project will have access to the data products and services of the Office of Research and Statistics (ORS) that maintains an extensive array of health, demographic and social services data. The databases are maintained in a warehouse-like structure that enables the tracking of patients/clients over time and across the various types of care and services.

Some of these databases contain information about the use of health delivery programs and services by clients of state health and human services agencies and enables the analysis of the use of services and crossover by clients among agencies. Geographic markers are added to these data to be used with ORS's Geographic Information System (GIS). The GIS allows mapping that can vary in level of detail from a specific address through all Census geography levels to zip codes to counties and to user defined areas within the state. Multiple overlays of data allow the visual presentation of complex social and health problems in an easy to understand format for policy makers. ORS is also the official repository for all U.S. Census data for the State of South Carolina.

Using these databases, the project will have access to data which tracks the utilization of healthcare services by the uninsured over time, identify pockets of uninsured using the GIS system, identify the trends in utilization of services by survey respondents, and correlate the uninsured with the type of industries located in specific county areas. It will allow the Project Team to cross-match data collected through the survey instruments to the current databases to determine whether the uninsured status is cyclical (i.e., persons are rotating on and off public health assistance programs).

b. Determine the Extent of the South Carolina Health Insurance Market

DOI will review existing sources of data and conduct data calls as necessary to determine the extent of coverage in the South Carolina health insurance market. This analysis will include a review of plan designs offered by insurers and the premium levels for these plans; the size of each market segment (individual, small group, and large group and grandfathered) and the potential enrollment in the Exchange for the individual and small group markets, including an estimate of those who may qualify for premium tax credits and reduced cost sharing for coverage through the Exchange.

c. Collect Qualitative Data from Stakeholders on Exchange Design, Operation and Options

In addition, consultant(s) will be hired to develop and implement a thorough interview tool and focus group mechanism.

1) Key Informant Interviews

Interviews will be conducted with small employers, members of the provider community and the insurance industry. Through the questionnaire, all key informants will be asked to review: 1) information on the ACA and health insurance Exchanges; 2) their organization's participation in the health insurance industry; 3) describe their decision process regarding options for employee benefits; and 4) identify key issues contributing to current participation levels in private or public health insurance programs. They will be asked about their knowledge of the provisions of the ACA and whether they will use and make information about health insurance Exchanges available to their employees. Key informants will be asked about their views on the operation of an Exchange (i.e., whether the Exchange should be operated at the state or federal level; benefit design requirements; and insurer participation rules, etc.).

2) Focus Groups

DOI will contract with a consultant to conduct and summarize the results of focus group interviews for the following demographic.

Small Employer Focus Groups. Working with our small business community, employers will be recruited for participation in employer focus groups. Focus groups will be stratified based on employer size and on whether they offer health insurance coverage or not. Information on the operation of health insurance Exchanges will be shared with the group. Information about employer participation will also be elicited. Small employers will be asked to identify their concerns related to offering health insurance, the cost of coverage, and potential proposals to: 1) establish a health insurance Exchange; 2) establish an individual responsibility to obtain health insurance requirement; and/or 3) require employers to offer Section 125 plans.

Insurance Industry/Provider Focus Groups. Separate focus groups will be held with insurance producers and insurers transacting health insurance business in this state and healthcare providers. Information will be shared with the groups about health insurance Exchanges. Each group will be asked to identify their concerns related to the operation of an Exchange. They will be asked to share their thoughts on the advantages and disadvantages of operating an Exchange at the state or federal level. Additionally, they will be asked whether South Carolina should a) establish multiple Exchanges within the state (i.e., one for non-group (individual) and another for small group or develop regional Exchanges) or b) participate in a multi-state Exchange.

Consumer Focus Groups. Focus groups will be conducted with individuals and families. Selection criteria for household and individual interviews will be based upon family income, presence of children in the household, participation in public or private health insurance, employment, geographic location, race and age. Statewide representation will be sought for the location of focus groups based upon county-specific profiles. Release rights from the individuals will be obtained prior to the sessions.

All interviews will be recorded in the same manner. Releases will be obtained from the individuals prior to the beginning of the interviews. All data will be transcribed, entered and coded to prepare for qualitative data analysis. Analyses of the results from the employer focus groups will generate an understanding of their knowledge of the ACA and support for health insurance Exchanges.

d. Estimate the Persons Who May Be Eligible for Coverage Under the Exchange. Newly Eligible for Medicaid Under the ACA, Eligible for Subsidies Through the Exchange and/ or Eligible for a Basic Plan

With the assistance of ORS and the South Carolina Department of Health and Human Services (DHHS), we will determine the specific primary data needs for this project within the first 45 days after the grant award. ORS will coordinate data collection and analysis. We envision utilizing the following data collection methodologies:

The South Carolina Household Survey. A household survey will be used to collect and analyze primary data on South Carolina households. This is the best method of collecting primary data on the uninsured. It is a telephone survey that assists in determining the estimation of health insurance coverage at the state level. The sample will be selected by random-digit dialing (RDD), with cell phone exchanges (i.e., numbers) included in the sampling frame. This instrument will be used to help us determine who the uninsured are; whether they have enrolled or plan to enroll in Medicaid or employer-sponsored coverage and, if they have not, why. The household survey will also solicit demographic information to help assess those who may be eligible for coverage under the Exchange, newly eligible for Medicaid under the ACA, eligible for subsidies through the Exchange and/or eligible for a basic plan. It will be administered by the University of South Carolina (USC) which has expertise with this type of quantitative research.

e. Model and Analyze the Various Exchange Options

Prior research conducted by the state revealed that changes in premium costs impact employers' offering of health insurance coverage, employee take-up (when offered), individual purchase of health insurance and enrollment in public programs. The assumptions that underlie the estimates for each reform should be applied together to produce the estimates for the combined reforms. The state will contract with a health insurance policy expert (health insurance actuary, health policy research group or health economist) for modeling and analysis of the options related to the scope and operation of a health insurance Exchange and their interaction with other potential policy changes. The impact of the following policy options must be considered:

- Guaranteed issue and community rating, including removal of health status as a rating and/ or underwriting factor in the small group and individual insurance markets;
- Imposing an individual responsibility to obtain health insurance coverage;
- Merging the small and individual health insurance markets into one large Exchange;

- Requiring certain employers to offer a Section 125 plan to enable pre-tax payment of health insurance premiums; and
- The expected cost of the essential benefits package and required levels of coverage, together with an estimate of the cost of any expected state mandated benefits in excess of the required coverage or any desired basic program for low income individuals.

This information will be used to develop models and make recommendations as to the cost of coverage and the costs to the state (including revenue losses and direct costs related to changes in public insurance enrollment).

Phase II: Exchange Formation and Governance

For this project, DOI will form a coalition of representatives from the legislative, insurance, health and business communities. Some of these individuals will serve on SCHEPC and provide input into the Exchange's governance and administration, program design, implementation and evaluation of operations. State government officials and members of the private sector who have expertise in research, data collection and issues affecting the uninsured in South Carolina will supplement this team. Concomitantly, expert consultants will be secured to assist with the review of legal, economic and actuarial issues related to the establishment of an Exchange. DOI will partner with the following state agencies on this project: (1) the South Carolina Department of Health and Human Services (DHHS); (2) the Division of Research and Statistics of the South Carolina Budget and Control Board (ORS); and (3) the University of South Carolina (USC). These partners form the inter-agency project team (Project Team).

Stakeholders will be engaged in this process. They will be asked via focus groups, key informant interviews and at conferences to provide input on policy formulation and Exchange design. Stakeholders will be invited to participate in a series of meetings on the establishment of the Exchange. These meetings will educate stakeholders and consumers and gather information on the operational issues associated with operating a health insurance Exchange. Additionally, stakeholders will be invited to serve on task forces and working groups throughout the project. These task forces and working groups will report their recommendations and receive their direction and guidance from the South Carolina Health Exchange Planning Committee (SCHEPC). SCHEPC will be a multidisciplinary committee of stakeholders from the public and private sector that may also serve as an interim governance committee. It will be chaired by the Project Manager and will work collectively with all stakeholders to examine the issues associated with the establishment and the successful implementation of a health insurance Exchange.

SCHEPC will be charged with 1) conducting a thorough review and analysis of current and new data on the operation of health insurance Exchanges; 2) completing an in-depth study and review of alternate approaches to establishing a health insurance Exchange; and 3) the development of a report prioritizing the steps required for the successful implementation of an Exchange, detailing the advantages and disadvantages of establishing a state, multi-state, regional or federal Exchange. SCHEPC will provide recommendations on the program's initiatives to the Principal Investigator, who along with the Project Team will be responsible for preparing a report for the Governor of the State of South Carolina, South Carolina General Assembly and Secretary of the U.S. Department of Health and Human Services.

SCHEPC, through its various working groups and committees, will assist with the assessment of the following:

a. Program Integration

SCHEPC will identify existing state and federal programs and make recommendations as to how the services provided by these programs can be leveraged. SCHEPC will specifically review available public programs such as Medicaid, S-CHIP and the South Carolina Health Insurance Pool (SCHIP). DHHS will provide its expertise on the issues associated with integrating Medicaid and Exchange coverage and eligibility requirements. DHHS will provide its expertise and assist with the development and design of policies and communication strategies for reaching and engaging its diverse stakeholders. SCHEPC will also engage the members of the Board of Directors of SCHIP as to how best to transition participants into the Exchange and whether and how to use this state mechanism for future risk adjustment purposes. Finally, SCHEPC will identify and review other non-profit programs to determine whether the Exchange could leverage the services provided through a cooperative agreement (e.g., education, outreach, prevention screenings, etc.).

b. Resources and Capabilities

SCHEPC will assess current and future staffing levels and technology needs. This assessment will include an evaluation of skills and tasks required of staff personnel such as project management, communication and outreach, developing Requests for Proposals (RFPs), managing consultants, research and analysis, and facilitating inter-agency workgroups. SCHEPC will identify whether the skills needed to operate the Exchange exist in other state agencies. They will also review possible sources of funding as well as develop a workforce plan and staffing strategy.

c. Exchange Governance

SCHEPC will make recommendations as to the appropriate governance structure for any South Carolina Exchange established. SCHEPC shall review Exchanges being considered by various states and those currently in operation in Massachusetts and Utah as to the appropriate governance structure for the Exchange. Based upon its review of these mechanisms and the data on the uninsured in South Carolina and those newly eligible for Medicaid, SCHEPC, through its various committees, task forces and working groups, will make recommendations to the Project Manager on the following issues: 1) which mechanism would be most feasible for the State of South Carolina based upon the number of eligible individuals and the state health insurance market; 2) whether the Exchange should be a publicly sponsored (i.e., part of an existing state agency), a separate quasi-governmental entity, or a separate fully private non-profit entity; 3) whether there should be one comprehensive Exchange that handles both individual and group coverage or two separate Exchanges, one for individual health insurance coverage (e.g., American Health Benefit Exchange and another for group health insurance products for small employers (e.g., Small Business Health Options Exchange); 4) how the mechanism(s) should be governed (e.g., by a Board of Directors of a quasi-public or nonprofit entity or management of a state agency), who the members should be, conflict of interest rules and how the members to the governing authority should be selected; and 5) how the mechanism shall operate (i.e., the number of insurers allowed to offer plans, eligibility requirements for consumers, licensing requirements (if any), benefit options and design, and other consumer protections, etc.).

Should South Carolina decide to implement a state-based Exchange, it is envisioned that the Exchange will be physically located in Columbia, South Carolina, and will be managed by an Executive Director who shall report to a governing authority set forth in enabling legislation to implement the Exchange.

d. Finance

SCHEPC will identify necessary systems to ensure the proper handling and safeguarding of cash collections, reconciliation of premium tax credits and cost sharing subsidies, selection of an accounting system to include a general ledger, payroll, accounts payable and accounts receivable functions, and a financial management and reporting tool. SCHEPC will also make recommendations with respect to external audit/ accounting support to determine the proper accounting treatment of various Exchange transactions, appropriate internal controls and the development of financial statement reporting for disclosure to the public, including the reporting of accurate and timely financial and operational

metrics. Finally, SCHEPC will assess technical requirements such as the appropriate accounting system, servers, warehousing of data and data security as well as the hiring of specialized accounting and finance personnel.

e. Technical Infrastructure

The technology platform for the Exchange will be a web-based application. The state will require technical guidance to assess the infrastructure requirements necessary for a successful insurance Exchange, including guidance as to the feasibility of either building or purchasing all or portions of the web-based Exchange. In addition, the state will have to assess how the Exchange will connect to the national enrollment hub currently under construction. Further, South Carolina must determine how to integrate the state Medicaid program with the Exchange and enrollment hub. The state will need the expertise of technical consultants familiar with the ACA and its requirements for a seamless eligibility process and effective Exchange operation as well as the technological possibilities and barriers involved in achieving both. Funding will be needed to ensure the state adheres to the legal and technical specifications as it seeks future grants and begins to procure or build required systems. DHHS, in collaboration with the technology subgroup to SCHEPC, will determine the appropriate process to retain these services for the state.

Section 1561 of the PPACA indicates that within 180 days of enactment the Secretary is required to develop interoperable and secure standards and protocols that facilitate the enrollment of individuals into federal and state health and human services programs. Grants will be available to entities, including states to develop new and adapt existing technology systems to implement health information technology (HIT) enrollment standards and protocols. The enrollment HIT systems adopted using these grants will be available to other qualified state political subdivisions at no additional cost. It is anticipated that the Exchange will be able to leverage this technology.

Additionally, SCHEPC will inventory the capabilities of functioning call centers, state Medicaid eligibility and enrollment systems, websites, nonprofits and other existing state infrastructures that can be leveraged by the Exchange. This can be a cost-effective approach to determining the additional technological needs of the Exchange. A gap analysis identifying current capabilities compared to the functional requirements of an Exchange will help determine future resources and financial needs.

f. Business Operations

SCHEPC will establish goals for the operation of the Exchange in accordance with the guidance provided by the Project Manager and the Project Team. They will review the required Exchange functions and options for state

flexibility and make recommendations with respect to the business operations of the Exchange so that the required functions can be performed and the established goals achieved. The proposed Exchange may be required to:

- Provide education, outreach, and technical assistance for individuals and employers related to health insurance options and the advantages of paying for health insurance through a Section 125 plan;
- Provide education, outreach and technical assistance for employers establishing Section 125 plans;
- Develop state-of-the-art tools for helping consumers navigate the market, such as tools that compare health insurance options based on factors that the consumer chooses (e.g., premium, deductible, cost sharing, provider network or covered benefits);
- Provide online, telephone, written and in-person assistance to consumers and employers purchasing health insurance through the Exchange(e.g., call center);
- Provide information and enrollment assistance to people who may be eligible for coverage via the Exchange or Medicaid; and
- Act as a payment aggregator for funds withheld from employee paychecks and transmit payments to health plans.

1) Eligibility Criteria

Within the guidelines set forth in the ACA, states have the ability to establish the eligibility criteria for their insurance Exchange program. Currently, the term “small employer” is defined under the federal law as having fewer than 100 employees. States are able to define small employer as having fewer than 50 employees until 2016.

SCHEPC shall be responsible for reviewing the advisability of maintaining the 1-50 definition of small employer until 2016 and making a recommendation as to how to transition from that definition to the new definition in 2016. Additionally, SCHEPC would consider whether to impose additional eligibility criteria for individuals, such as providing a social security number, unless they are illegal or non-qualifying aliens who are seeking insurance for children who are United States citizens and who have social security numbers. The eligibility criteria for the Exchange must be integrated with the eligibility criteria for Medicaid or S-CHIP programs. The income-related eligibility criteria must be linked to the federal poverty guidelines which are adjusted annually. Individuals with incomes between 133%

and 400% of the federal poverty level may also be eligible for subsidies or reductions in premium through the Exchange. SCHEPC group will also develop eligibility criteria for health insurance subsidies, if any.

SCHEPC will also develop eligibility criteria for small employers. It shall determine what responsibilities the small employer maintains control of, such as criteria for employee eligibility, enrollment, participation and the amount the employer will contribute toward the premiums. SCHEPC shall establish the criteria to enable employees to use pre-tax dollars to purchase plans available through the Exchange. It will also be responsible for outlining the application and enrollment requirements for employers and individuals, including a provision for open enrollment each year and provisions for enrollment after a life status change, such as marriage, divorce, death of a family member, or birth of a child.

Moreover, SCHEPC will be responsible for defining participation rules for employers and insurers and establishing criteria to prevent insurers from dumping risks into the Exchange. It will also define the information requirements for insurer participation to ensure plan and Exchange transparency.

2) Benefit Plan Design

The Exchange must facilitate comparison shopping for consumers. This begins with displaying and providing comparisons of benefit options, coverage levels, provider networks and costs. The SCHEPC will be responsible for making recommendations for the benefit design for the Exchange. Its recommendations will consider the definition of essential benefit package in conjunction with other benefit design parameters set forth in the ACA. It will also define a consumer outreach program to educate consumers on the benefit packages available through the Exchange. The SCHEPC will also consider the impact of benefit design on the costs to the system and the needs of the community and market. To the extent permitted, benefits should be tailored to incorporate evidence-based and consumer incentives to be reflected in the pricing.

3) Premium Subsidies

The ACA provides that premium subsidies could be offered through the Exchange. The Exchange would administer the determination of eligibility for premium subsidies, collect subsidy payments from the state and remit payments to health plans. Depending on the effective date of the subsidy availability, this function could be phased in over time.

4) Plan Bidding and Qualifications

The SCHEPC through the work of its various subcommittees and expert consultants will determine the participation rules for insurers. Specifically, it will make recommendations to the Project Manager on the level of insurer participation and needed qualifications to promote healthy competition within the South Carolina health insurance market. It will consider whether all insurers should be allowed to participate or whether participation should be limited to those that meet certain predetermined criteria via a bidding process.

5) Rate Justifications

DOI will ensure that issuers are including the appropriate information with rate requests once the Secretary of Health and Human Services has determined the minimum requirements for products offered through the Exchange. DOI will exercise its regulatory authority to ensure that the rates charged for products offered outside the Exchange are comparable to those offered for Exchange products.

g. Funding

The funding required to establish a health insurance Exchange could be significant. The expense will vary depending upon the functions assigned to the Exchange. Many of the functions of this Exchange are prescribed by the ACA and many will be determined based upon SCHEPC's recommendations for what the Exchange should look like and how it should function. The ACA requires that any Exchange created be self-sustaining by January 1, 2015. As a part of the strategic and operational planning process, a sustainable business model for the Exchange must be developed. Federal implementation grants appear to be the most plausible source of startup funding. The services of a health economist or other expert consultant will be secured to help develop a financial model for the Exchange including a break-even analysis. Additionally, the financial model will also analyze potential funding sources and develop a plan for financial sustainability. This model will also address whether state funding will be needed for start up costs.

Additionally, the following must be considered 1) enforcement costs; 2) service quality; 3) cost of insurance mandates; 4) subsidy requirements; 5) Medicaid and SCHIP eligibility determinations; 6) grant programs for consumer education and assistance (i.e., the Navigator Program); 7) plan qualification; 8) quality rating systems; 9) the administration of premium credits and cost sharing assistance; and 10) the plans for risk adjustments. It is envisioned that the Exchange shall be sustained by user fees and assessments. SCHEPC will establish financial policies, implement procedures to monitor spending and provide appropriate financial controls.

Phase III: Exchange Implementation Strategy

SCHEPC will provide a detailed report on all issues they determine may impact the successful implementation and maintenance of an Exchange in this state. In addition, the scope and detail of any required conforming or enabling legislation and any necessary policies and procedures for the Exchange will be identified. A summary of the regulatory and legal policy issues that must be addressed by SCHEPC follows.

Any Exchange created in South Carolina would be subject to the regulatory jurisdiction of the DOI and the SCDHHS. The DOI and SCDHHS will work cooperatively to ensure the Exchange and its participants are operating in accordance with state and federal law. The DOI and members of the SCHEPC will work collaboratively to determine applicable participation rules for South Carolina insurers and employers. Additionally, SCHEPC, working in conjunction with DOI and other partners, will develop legislative recommendations aimed at making the rules applicable to policies sold outside of the Exchange comparable to the rules governing policies sold in the Exchange to prevent or lessen adverse selection. It will be recommended that participants who violate those regulations would be subject to the imposition of administrative penalties. Additionally, standards will be developed to determine whether employers or insurers are taking actions to negatively affect the risk pool.

SCHEPC will develop the initial policies and procedures for the Exchange including the establishment and implementation of privacy and security policies, planning for the operation of the Exchange, marketing, and establishing agreements and contracts for participation in and financing the Exchange, drafting certification and decertification procedures, and developing and/or implementing risk adjustment processes/mechanisms, etc. All policies and procedures will be subject to the review and approval of DOI as a part of the plan of operation of the Exchange.

One of the principal tasks of SCHEPC will be to evaluate applicable South Carolina law regarding privacy and security and to provide advice on future legislation to enable flexible but robust information management policy. An analysis of the various state and federal laws and regulations will be conducted to determine the best approach to establishing a viable Exchange while also protecting the privacy rights of consumers accessing the Exchange.

This subcommittee will also be charged with identifying and harmonizing the federal and state legal policy requirements for operation of an Exchange. Policies and contracts must be tailored to provide for implementation of technical services deemed necessary by the governing board and evaluated on an annual basis (e.g., Notices of Privacy

Practices and model consent and authorization forms). Enforcement mechanisms must be built into the policy framework to ensure compliance and accountability among participants in the Exchange.

A number of agreements will have to be developed to successfully implement the Exchange (e.g., model data sharing agreements, business associate agreements and other legal documents). During the planning of the Exchange, it will be necessary to consider the inter-relationships that will exist among public and private stakeholders. For example, different models may be developed for public-to-private data sharing and public-to-public data sharing. Other issues that must be considered include the interoperability with other states as well as the National Health Information Network and other mechanisms. It is anticipated that the governance committee will contract with healthcare, legal and regulatory experts to accomplish the ultimate development of the necessary agreements should South Carolina decide to establish an Exchange.

Phase IV: Policy Recommendations

The information derived from all phases of the grant will be used to generate a final report and policy recommendations on the feasibility of establishing an insurance Exchange in South Carolina. A detailed implementation strategy and funding plan, if applicable, will be developed and presented to the Governor, South Carolina General Assembly and Secretary of the U.S. Department of Health and Human Services for their consideration. The report will set forth the issues associated with the various Exchange options (governance, administration and benefit design), the advantages and disadvantages of each for South Carolina as well as the cost of each option.

B. Project Staffing

The South Carolina Department of Insurance (DOI). DOI is responsible for the regulation of the business of insurance within the state of South Carolina. DOI has been designated by Governor Mark Sanford to be the lead agency for this grant. As such, DOI will be primarily responsible for project design and management, establishing the responsibilities of its partners, obtaining external consultants to lend their expertise to the project, securing contracts and ensuring delivery of the required services, establishing the timeline/management responsibilities for the SCHEPC and generating the reports to the Secretary, the Governor and members of the General Assembly.

Principal Investigator. DOI will assign a member of its existing staff to serve as the Principal Investigator for this project. The Principal Investigator shall be responsible for the overall management and policy formulation for the project. The Principal Investigator shall supervise the activities of the Project Manager and other members of the Project Team. The duties of the Principal Investigator are more particularly described the attached position description.

The Project Manager. The DOI will secure via the applicable procurement or employment process an expert versed in managing health policy research projects to serve as Project Manager. The Project Manager shall be responsible for managing the day-to-day activities of the grant. Subject to the review and approval of the Principal Investigator, the Project Manager shall be responsible for development of a project management plan. The plan will describe how and when the activities for the grant will be conducted and provide timelines for completion of key grant activities. The Project Manager shall oversee the organization of the project and the planning activities and shall responsible for keeping the Principal Investigator informed. Project management will also be accomplished through regular Project Team meetings, through monitoring the accomplishment of established tasks within stated timeframes, and meetings with SCHEPC and its working groups and task forces. The Project Manager shall coordinate all grant activities for DOI and be responsible for grant reporting. This individual will also be responsible for ensuring that all entities meet the project-related terms of their contracts. See the attached position description.

Project Coordinator/ Research Assistant. DOI will also hire a Project Coordinator to assist with research and to handle the day-to-day administration of the grant. This position will also handle financial reporting and accounting for funds associated with this grant. See the attached position description.

In addition to these individuals, it is envisioned that the Department will contract with experts/consultants in the following areas: research, data collection and analysis; actuarial science; econometric and institutional modeling; health law policy, etc.

BUDGET NARRATIVE

Upon receipt of grant award, DOI will implement the following project activities as outlined below:

- **Indirect Costs.** Five percent of the total grant award or fifty thousand dollars (\$50,000.00) will be attributed to indirect costs associated with the project.
- **Project Management (Personnel).**
 - ***The Principal Investigator.*** The DOI will assign a principal investigator to oversee this grant project.
 - ***The Project Manager.*** DOI will enter into a contractual agreement with a consultant or temporary employee to serve as Project Manager. To comply with both federal and state procurement regulations, a Request for Proposal for Services may be issued, if applicable. The Project Manager will be responsible for the project management as well as the overall coordination of activities for this project. It is anticipated that this position will spend approximately 40 hours per week for the 12-month period of this project. One hundred thirty thousand dollars (\$130,000.00) has been budgeted for this position. This amount includes a salary of one hundred thousand dollars (\$100,000.00), plus fringe benefits. This position may also be hired as a temporary grant employee, if feasible. If a temporary employee is hired, this will be the equivalent of a State of South Carolina FTE, Band 9..
 - ***Project Coordinator /Research Assistant.*** A Project Coordinator will be hired for the duration of the project for 37.5 hours per week. This position will be the equivalent of a State of South Carolina FTE, Band 6. The budget provides sixty thousand dollars (\$60,000.00) for this position, including the cost of fringe benefits. This position will also track expenditures related to the grant and file any required reports.
- **Office Space and Equipment.** The budget allows forty thousand dollars (\$40,000.00) for DOI to prepare office space and to purchase equipment to house the grant personnel for the duration of the project.
- **Postage and Supplies.** Five thousand dollars (\$5,000.00) has been included in the budget for postage, printing, office supplies, and telephone usage for program operation.

- **Contractual Services.**

- **Actuarial Services.** Although actuaries are exempt from the South Carolina Procurement Code, DOI will solicit via Requests for Services Proposal the services of a certified actuary or actuarial firm to develop an actuarial model that can be used to: 1) project trends, such as the number of newly insured; 2) determine the impact of rating restrictions and other market reforms effective 2014 on premium levels; 3) evaluate the merging of individual and small group markets; 4) forecast the impacts of changing medical loss ratio requirements in the individual and small group markets; and 5) model marketplace changes resulting from expanding the definition of small group market. The budget proposal estimates seventy-five thousand dollars (\$75,000.00) for these services.
- **Health Economist.** DOI will contract for the services of a health economist to use econometric simulations to model the design options available for the Exchange and the impact on the South Carolina health insurance market including the development of a financial model that provides for the sustainability of the Exchange. The budget estimates \$50,000 for these services
- **Data Collection Activities.** DOI will contract with divisions of the University of South Carolina to conduct research and collect data on the pool that may be eligible for coverage under a health insurance Exchange. The data collection activities envisioned include a household survey, focus groups and key informant interviews. The amount budgeted for these services is two hundred thousand dollars (\$200,000.00 - \$155,000.00 for the household survey and \$45,000.00 for the focus groups and key informant interviews) and includes funding to facilitate participation of individuals who have a disability or long-term illness and their families in focus groups.
- **Data Cleaning and Analysis Services.** DOI proposes to contract with the Office of Research and Statistics to coordinate the data collection and analysis services. A detailed description of the scope of their work is included as Exhibit _____. DOI has budgeted sixty thousand dollars (\$60,000.00) for these services.
- **IT Infrastructure.** DOI will solicit via the South Carolina procurement process proposals for the services of an IT consultant that will develop the IT infrastructure and plan necessary to implement an Exchange. The amount budgeted is one hundred thousand dollars (\$100,000.00). DOI envisions

engaging for three (3) months the full-time services of an IT manager (\$125 per hour), IT analyst (\$75 per hour) and IT architect (\$100 per hour) to use the research data obtained to develop the plan and costs for the IT infrastructure.

- **Legal Services.** DOI will associate counsel to help provide legal services to the project. The legal services include, but are not limited to, drafting or reviewing the following: enabling legislation; operations manuals; claims manuals; plan of operation; business associate agreements, participating agreements; consent forms and releases; applications for coverage; reinsurance arrangements; privacy notices and acknowledgement forms; etc. The budget includes seventy-five thousand dollars (\$75,000.00) for these services.
- **Space Rentals.** DOI will need to rent space for focus groups, key informant interviews, meetings, printing and interviewee incentives, etc. The budget includes seventy-five thousand dollars (\$75,000.00) for these services.
- **Medicaid Research.** A contractual agreement will be made between the South Carolina Department of Health and Human Services for data collection review, analysis, and policy development. It is anticipated that these services will cost fifty thousand dollars (\$50,000.00).
- **Meeting Expenses.** As proposed in the project description, a planning committee will be established at the onset of the project. It is anticipated that the costs associated with the establishment of the planning committee to include meeting expenses (one meeting every other month for the project period, to include an orientation retreat and per diem) will be ten thousand dollars (\$10,000.00). This includes funding to facilitate participation of individuals who have a disability or long-term illness and their families in meetings.
- **Travel Expenses.** The budget includes travel expenses for the scheduled NAIC meetings and funds for travel to and from the Focus Group locations within South Carolina. Fifteen thousand dollars (\$15,000.00) has been included in the budget for travel and per diem expenses for members of the project staff for the 12-month grant period.
- **Printing/Publication.** Following the data collection and analysis phases of this project, the South Carolina Department of Insurance, as Lead Agency, will publish the final report on the findings. Five thousand dollars (\$5,000.00) has been budgeted for the publication and statewide dissemination of this report.