

Office of Consumer Information and Insurance Oversight

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

Reporting Template for Quarterly Project Reports

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State: South Carolina
Project Title: SC Exchange Planning and Establishment Grant
Project Quarter Reporting Period: 10/1/2010 to 12/31/2010

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Project Summary

Background Research

In this area, the South Carolina Department of Insurance (DOI) intends to conduct research and analysis to study:

- the number of uninsured in the state, including those who may be eligible for coverage under the Exchange; those currently eligible for Medicaid or Partners for Healthy Children but not enrolled; and those employees eligible for their employer's health plan, but not enrolled
- the extent of the fully insured marketplace including plan designs offered by insurers and the premium levels for these plans; the size of each market segment (individual, small group, and large group and grandfathered); and the potential enrollment in the Exchange for the individual and small group markets.
- Estimates of those who will be newly eligible for Medicaid and Partner's for Healthy Children as a result of Affordable Care Act (ACA).
- the cost to the State of state mandates which may be required in coverage offered through the Exchange.
- economic and actuarial models necessary to project trends such as the number of newly insured, and the impact of rating restrictions and other market reforms effective 2014 on premium levels and any potential cost/savings to the state budget.
- economic and actuarial modeling of various policy issues including development of a Basic Health Plan, merging of the non-group and small group markets, changing Medical Loss Ratio (MLR) requirements in the non-group/small group markets per the ACA, and expanding the definition of the small group market.

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- a financial model for the exchange including break-even analysis, level of administrative surcharge, cash-flow modeling, etc.

The DOI has not entered into a formal agreement with any entities to conduct the above research and analysis, although we have been in discussions. The Principal Investigator has reviewed some publically available demographic data during this time including the prior 2002 study. It is anticipated that this work will be started during the first quarter of 2011.

Stakeholder Involvement

The Exchange Grant's Principal Investigator, Andrew Dvorine, along with other DOI staff, has attended various meetings and conferences held throughout the state to discuss the Affordable Care Act and Health Exchanges. Examples include:

- South Carolina Business Coalition on Health
- South Carolina Hospital Association
- South Carolina CPAs.
- Various insurers in the state
- The South Carolina Chapter of the National Association of Health Underwriters.

The Principal Investigator will continue to make himself available to any group that wishes to discuss healthcare-related topics as they present themselves.

In addition, the Principal Investigator has joined as a workgroup member the following two groups, both sponsored by the South Carolina Public Health Institute:

- Health Insurance Exchange Workgroup
 - Enrollment and Navigation Workgroup
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Program Integration

The DOI and the South Carolina Health and Human Service Department have set up regular teleconferences to discuss coordination of activities related to enrollment and integration with Exchange activities. This process is anticipated to continue throughout the Exchange planning and implementation process.

Resources and Capabilities

The DOI has not hired our program manager and program coordinator to assist the Principal Investigator in his responsibilities under the grant. The DOI has posted the two positions as of December 10, 2010 and will begin the interview process February 2011. The DOI does not anticipate any additional staffing needs for this grant year.

No further analysis has been conducted for future Exchange related staffing needs.

Governance

The DOI is working with various stakeholders to determine the final composition of the Advisory Board. Considerations for exchange governance cannot be contemplated until the Advisory Board has determined whether the state should implement an Exchange. The DOI is reviewing the work of other states in this area.

The DOI anticipates the Advisory Board will be constructed within the next ninety days.

Finance

The DOI has conducted no research or analysis on the topic of Exchange Finance to-date. The DOI does not anticipate this topic will be explored until other basic conclusions are made, such as whether the State shall operate an Exchange, and its governance structure.

Technical Infrastructure

The DOI has set up a Health Care Reform page linked to its home page. The DOI has placed the grant application and approval documents on this page. The DOI anticipates that additional documentation will be made available at this site.

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Business Operations

The DOI has not begun to address this core area.

Regulatory or Policy Actions

The DOI is monitoring the work of other states in crafting statutes.

Barriers, Lessons Learned, and Recommendations to the Program

As with many states, the changing political landscape has slowed some of our progress. This is part of the governmental process. At present we have no recommendations to offer to the program, other than to continue to provide assistance for all states as they go through their grant cycle.

Technical Assistance

We are still in the beginning stages of our planning process. Our first priorities are to secure a Program Manager, set up an Advisory Committee, and complete a demographic study of our state. We are aware of the Background Research Webinar offered by OCIO this month, and look forward to additional webinars in the future.

Draft Exchange Budget

This draft budget is prepared under the assumption that South Carolina will conclude that a Utah-style exchange is the best answer for our state. We have taken estimates provided by the state of Utah and adjusted them upwards for conservatism.

As South Carolina has not assembled an Advisory Committee, we have not even answered whether the creation of a state exchange is the best answer. Therefore, the estimated budget for such an exchange should not be relied upon for any degree of accuracy. It is simply a crude guess at this point.

FFY2011 budget amounts are consistent with the grant budget information. We assume the bulk of the costs will be borne in 2012 and 2013 and decline in 2014 as we transition from start up to operational.

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<u>Function</u>	<u>FFY 2011</u>	<u>FFY 2012</u>	<u>FFY 2013</u>	<u>FFY2014</u>
Research/Analysis	610,000	4,000,000	3,000,000	2,000,000
Staff	255,000	255,000	510,000	612,000
Equipment/Office Space	135,000	1,000,000	750,000	500,000
Total	1,000,000	5,255,000	4,260,000	3,112,000

Work Plan

Background Research

Name of Milestone: Basic Demographics

Timing: March 31, 2011

Description: Conduct data on the demographics of the current uninsured and projected Exchange populations.

Name of Milestone: Modeling, Part I

Timing: March 31, 2011

Description: Enter in agreement with entity to provide actuarial/economic modeling of demographic and fiscal trends for exchange analysis

Stakeholder Involvement

Name of Milestone: Establish Advisory Committee

Timing: March 31, 2011

Description: Establish advisory committee with regularly scheduled public meetings

Name of Milestone: Website

Timing: March 31, 2011

Description: Ensure that website complies with public reporting requirements.

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Program Integration

Name of Milestone: No Wrong Door

Timing: March 31, 2011

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

Name of Milestone: IT Assessment

Timing: March 31, 2011

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

Resources and Capabilities

Name of Milestone: Staffing Levels

Timing: March 31, 2011

Description: Begin assessment of current and future staffing levels needed for exchange.

Name of Milestone: Budgeting Review

Timing: March 31, 2011

Description: Review preliminary four-year budget and revise as necessary.

Governance

Name of Milestone: Review of Exchange Governance Plans

Timing: March 31, 2011

Description: Begin our state's exchange governance plans by reviewing what is being used by other states.

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Finance

For Core Area "Finance", our grant application reads as follows:

"SCHEPC (South Carolina Health Exchange Planning Commission) will identify necessary systems to ensure the proper handling and safeguarding of cash collections, reconciliation of premium tax credits and cost sharing subsidies, selection of an accounting system to include a general ledger, payroll, accounts payable and accounts receivable functions, and a financial management and reporting tool."...

At this point, we have not made enough progress to submit any milestones in this area. SCHEPC has not been created yet.

Technical Infrastructure

For Core Area "Technical Infrastructure", our grant application reads as follows:

"The technology platform for the Exchange will be a web-based application. The state will require technical guidance to assess the infrastructure requirements necessary for a successful insurance Exchange, including guidance as to the feasibility of either building or purchasing all or portions of the web-based Exchange."...

It is difficult to place any milestones on this core area since we have not had one meeting of the SCHEPC. The Principal Investigator has met with a few companies that have the capabilities to provide guidance in this area, but since the nature of South Carolina's exchange is so unknown at this time, it is difficult to set a milestone.

Business Operations

For Core Area "Business Operations", our grant application reads as follows:

"SCHEPC will establish goals for the operation of the Exchange in accordance with the guidance provided by the Project Manager and the Project Team."

Unfortunately, as we have not had one meeting of the SCHEPC, nor have we hired a Project Manager.

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Regulatory or Policy Actions

Name of Milestone: Enabling Legislation

Timing: March 31, 2011

Description: Work with Governor's office and state legislature to draft enabling legislation for a Health Care Exchange in the state.

Collaborations/Partnerships

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

Organizational Type: State Department managing Medicaid.

Role of Partner in Establishing Insurance Exchange: DHHS will be working closely with the Department of Insurance in coordinating exchange activities in the state, particularly as it relates the Medicaid population.

Accomplishments of Partnership: The Department of Health and Human Services, along with the Department of Insurance and others will comprise the inter-agency project team whose responsibilities are to make the final recommendation to the legislature and Governor concerning an exchange for South Carolina. We have been holding semi-regular meetings to discuss progress.

Barriers/Challenges of Partnership: The uncertain political climate in the state has presented significant challenges to this partnership. Both Departments have new Directors. It will take a certain period of time for all involved to get organized.

Name of Partner: South Carolina Public Health Institute (SCPHI)

Organizational Type: Part of National Network of Public Health Institutes

Role of Partner in Establishing Insurance Exchange: The South Carolina Public Health Institute works to advance the public health priorities of our state by convening academic, governmental and community-based stakeholders around issues important to the health and well-being of all South Carolinians. Specifically, the exchange grant principal investigator serves as a member of the group's enrollment and navigation workgroup and exchange workgroup.

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Accomplishments of Partnership: The workgroups represent varied interests. Having a forum where different points-of-view can be voiced is beneficial to the process.

Barriers/Challenges of Partnership: The slow pace of progress by the DOI has had its effects on this workgroup, as the DOI has had little to report to date. This should improve as we make our way into 2011.