

Project Narrative

Background and Rationale

The Massachusetts Health Connector is an independent state authority created by Chapter 58 of the Acts of 2006¹ to implement key elements of Massachusetts' historic health reform law. The Health Connector serves as an intermediary, or Exchange, that assists individuals in acquiring health coverage through operating the Commonwealth Care (CommCare) and Commonwealth Choice (CommChoice) programs. CommCare is a subsidized insurance program available to adults in Massachusetts earning up to 300% of the Federal Poverty Level (FPL) who generally do not have access to Employer Sponsored Insurance² (ESI) or other subsidized insurance and who meet certain eligibility guidelines. CommChoice is a commercial (non-subsidized) insurance program available to individuals and to small employers with 50 or fewer employees. The Health Connector first began to offer coverage through CommCare for uninsured adults with income up to 100% FPL in October 2006. Three months later, CommCare extended this offering to those earning between 100% and 300% of FPL. CommChoice opened in May 2007 for coverage effective July 2007. Current enrollment in these programs is approximately 155,000 and 31,000 members, respectively.³

In addition to managing these two programs, the Health Connector is charged with developing and implementing several policy and regulatory components of reform.⁴ Among the most important policy tasks completed and managed by the Health Connector are those associated with the implementation of the state's health care coverage mandate. These include, for example, development of regulations defining what constitutes Minimum Creditable Coverage (MCC), or the level or value of health insurance an adult must maintain, and construction of an Affordability Schedule, which defines

¹ M.G.L. c. 176Q § 2(a).

² Per M.G.L. c. 118H § 3(4), individuals who are eligible for employer sponsored insurance where the employer covers at least 20% of the annual premium cost for a family insurance plan or at least 33% of the cost for an individual insurance plan are not eligible for CommCare.

³ The Health Connector also administers a program referred to as Commonwealth Care Bridge. This program provides subsidized insurance coverage to approximately 23,500 legal immigrants who have been in the United States for less than five years. These Aliens with Special Status (AWSS) were previously covered by the CommCare program, but due to extreme state budget shortfalls, as of September 1, 2009, these individuals were no longer eligible for CommCare.

⁴ See for example, M.G.L. c. 176Q § 3, M.G.L. c. 111M § 1, et. al.

the maximum amount an adult is expected to contribute toward the purchase of MCC-compliant health insurance and determines application of the individual mandate. The Health Connector also administers an appeals program. This program handles both appeals of CommCare members and applicants, as well as of taxfilers who are assessed penalties for failing to comply with the state's coverage mandate.

The Health Connector staff also includes a marketing and communications team that informs the public and other parties of the insurance options, programmatic changes and requirements associated with health reform. We lead numerous outreach, marketing, and public information activities in collaboration with state agencies and civic partners.

The Health Connector employs approximately 50 people and is led by a team of ten senior staff members. Some senior staff members are focused more specifically on either CommCare or CommChoice, while others have cross-cutting responsibilities that include both programs as well as regulatory and policy development. The Board of the Commonwealth Health Insurance Connector Authority (the Board), chaired by the Secretary for Administration and Finance of the Commonwealth of Massachusetts, governs the Health Connector. The Board is composed of ten members with diverse backgrounds and areas of expertise which allows for a broad range of perspectives to be represented. The Board approves all major policy, regulatory and programmatic decisions, and meets on a regular basis in a public forum.

The Health Connector operates on a hybrid model, incorporating features that are typical of both public agencies and private organizations. The Health Connector contracts with other state agencies as well as with commercial entities to operate CommCare and CommChoice. We also work in tandem with many state agencies to implement health reform in Massachusetts. For example, the Health Connector contracts with the Massachusetts Medicaid program, known as MassHealth, to conduct eligibility screening for CommCare applicants. The Health Connector works with the Division of Insurance (DOI) on health insurance regulatory issues and with the Department of Revenue (DOR)

on interpreting and enforcing Chapter 58's requirement that adults have health insurance. In addition, the Health Connector works closely with the Executive Office for Administration and Finance (EOANF), the Executive Office of Health and Human Services (EOHHS), the Division of Health Care Finance and Policy (DHCFP), the Group Insurance Commission (GIC), and the Division of Unemployment Assistance (DUA) on a broad spectrum of health reform implementation initiatives.

The Health Connector contracts with commercial entities to support the administrative functions for CommCare and CommChoice. Dell Systems currently provides call center, accounts payable, and accounts receivable services for CommCare. The Small Business Service Bureau (SBSB) provides similar services for CommChoice, in addition to being the conduit to the Health Connector for rates provided by our commercial insurers. SBSB also provides support to employers and works with brokers selling insurance through the CommChoice program.

Apart from start-up funds appropriated by the state to develop an infrastructure and operational capacity, the Health Connector is self-sustaining, deriving revenues based on enrollment in its health insurance programs. This hybrid organizational model has proved successful for the Health Connector in its first few years of existence.

The Health Connector and various other Massachusetts stakeholders supportive of health reform were very pleased to see passage of the Patient Protection and Affordable Care Act (PPACA) on March 23, 2010. We embrace national health reform and look forward to the opportunity to further expand access to health insurance coverage to residents in our state through implementation of this law. Moreover, we are very proud to see that many components of PPACA are based on elements of the Massachusetts model, including, for example, the individual mandate, standards defining minimum essential coverage and affordability, and the development of an Exchange to facilitate the purchase of health insurance.

While many aspects of PPACA are broadly grounded in the elements of Massachusetts' health care reform initiative, we will have much work to do in the coming years to evaluate the consistency of

our current policies and operations with new federal requirements. We anticipate that we will need to refine our approach in certain areas in order to comply with those requirements. The Health Connector is strongly committed to successfully adapting to federal health reform requirements not only to ensure Massachusetts residents have access to the full range of opportunities and benefits presented by PPACA, but also to continue to serve as an example for other states now charged with establishing Exchanges of their own.

Receipt of these grant funds is imperative for the Health Connector to engage in analysis and planning required to ensure compliance with the Exchange related provisions of national health reform by 2014. The funds made available under this grant opportunity will provide us with the resources necessary to prioritize and accomplish our planning, while we continue to implement and improve our current programs and responsibilities.

Specifically, this funding will assist us in developing a national health reform transition program. The objective of this program will be to define current Health Connector programs, policies, and practices in need of modification given new national requirements for Exchanges, to identify new opportunities and requirements, and to subsequently identify a strategic and operational plan and implementation timeline. We are planning to collaborate with a multi-disciplinary project and consulting team to assist us in developing this program and reaching these objectives. Proposed activities of the health reform transition program are described below.

1. Background Research

Four years since the Health Connector was established, more than 97% of Massachusetts residents have health insurance. Nearly 400,000 individuals have become newly insured since enactment of the state's health reform initiative in 2006.⁵ The provisions in PPACA with respect to eligibility for

⁵ Division of Health Care Finance and Policy (2010, May). *Health care in Massachusetts: Key indicators*. Boston, MA: Author. Available online at, http://www.mass.gov/Eoohhs2/docs/dhcfp/r/pubs/10/key_indicators_may_10.pdf

insurance through the Exchange or through Medicaid may expand and alter the source of coverage among the insured. Moreover, the availability of federal tax credits for small businesses that purchase insurance through the Exchange in 2014 may expand the size of the small group population currently served by the Health Connector. In order to assess the impact of these changes, we intend to conduct or sponsor the following research or analyses (as well as other Exchange-related research or analyses subsequently identified as necessary):

- A) *Estimate the number of individuals who will become eligible for federal subsidies for the purchase of health insurance through the Exchange in 2014 who were not previously eligible for state or federal subsidies.* The Health Connector anticipates that, at minimum, this newly eligible population will include Massachusetts's residents between 300-400% FPL and legal residents who are not currently eligible for CommCare. The Health Connector will develop a sound estimate of this newly eligible population and their demographic profile to inform operational and outreach planning.
- B) *Estimate the number of individuals who will be newly eligible for MassHealth, the Medicaid program in Massachusetts, in 2014.* We anticipate this population to be comprised largely of current CommCare enrollees under 133% FPL. In collaboration with MassHealth, we plan to confirm this presumption. In addition, we will determine if, and to what extent, there are individuals who would currently be eligible for CommCare but are not enrolled, but who may enroll in MassHealth if determined eligible. Existing data suggest that the majority of remaining uninsured individuals in Massachusetts are individuals with income less than 150% FPL.⁶
- C) *Assess the network and benefit implications for CommCare enrollees newly eligible for MassHealth.* As described above, some portion of the current CommCare membership may become newly eligible for MassHealth. The benefit design and provider networks may differ in some instances between

⁶ Massachusetts Department of Revenue (2009, December). *Individual Mandate 2008: Preliminary Data Analysis*. Boston, MA: Author. Available online at, http://www.mass.gov/Ador/docs/dor/News/PressReleases/2009/2008_Health_Care_Report.pdf

the MassHealth and CommCare programs. This assessment, conducted in collaboration with MassHealth, will review the member impact of this transition, including consideration of benefit or network changes.

- D) *Evaluate the Basic Health Plan Option.* Investigate the population that might be eligible for this program, how it might be structured, and the tradeoffs associated with this program (versus using premium tax credits to purchase through the Exchange) from both the state and consumer perspectives.
- E) *Investigate the impact of PPACA on residents currently enrolled in ESI who may become eligible for federal subsidies in 2014.* Individuals with access to ESI are not generally eligible to enroll in CommCare or CommChoice. Under national reform, individuals whose ESI does not meet certain criteria may be eligible to purchase insurance through the Exchange with a premium tax credit. The Health Connector would like to develop an estimate of this potential population and begin to develop a sense of this population's profile.
- F) *Evaluate the potential demand for dependent coverage through the Exchange.* Currently, CommCare provides subsidized coverage for adults only. CommChoice provides coverage for both individual and family policies, though the vast majority of purchasers to date have bought single policies. Estimates are needed for the number of children who may become eligible for subsidized coverage through the Exchange.
- G) *Estimate the number of small businesses who will be eligible for the federal tax credit and incented to purchase through the Exchange in 2014.* We anticipate that the availability of a federal tax credit for small businesses that meet federal eligibility criteria and purchase insurance through the Exchange will lead to increased enrollment within this market segment relative to current small business enrollment in our CommChoice program. This analysis will include an assessment of the potential growth in enrollment, and may also begin to explore the plan design preferences among this market segment.

2. Stakeholder Involvement

The Health Connector has strong working relationships with state agencies, health plans, advocates, providers, and other stakeholders interested in health care policy in Massachusetts. Our collaboration with these parties has been critical to the success of Massachusetts' health care reform to date. Since the enactment of PPACA, the Health Connector has been an active participant in inter-agency meetings and workgroups, led by the Secretary of EOHHS, intended to begin identifying issues that will arise due to the intersection of state and federal law, and to prepare the state to move forward in implementing the requirements of PPACA. There are many questions that need to be answered to assist the state in planning for the transition to the federal model in 2014. We recognize that the best way to address some of these open questions is to engage relevant parties in the discussion of the state's choices and the preferred path for moving forward.

To that end, the Health Connector will consult with a broad array of relevant stakeholders on Exchange-related issues. These will include: members of the Health Connector Board, representatives from the health insurance industry (e.g., the Massachusetts Association of Health Plans and other commercial plans as well as Medicaid Managed Care Organizations), representatives from consumer advocacy organizations (e.g., the ACT! Coalition), providers (e.g., the Massachusetts Hospital Association, the Massachusetts League of Community Health Centers, and the Massachusetts Medical Society), staff at collaborating state agencies (see Attachments 10, 11, and 12), representatives of both the small and large business community (e.g., local chambers of commerce, the Associated Industries of Massachusetts, the Retailers Association of Massachusetts), and brokers (e.g., the Massachusetts Association of Health Underwriters), among others.

There are several issues on which the Health Connector would like to engage these stakeholders. Below is an illustrative, though not exhaustive, list of examples:

- A) The Basic Health Plan Option and an analysis of the implications of this choice to inform our decision as to if this is the best approach for residents in our state. More specifically, this will include a preliminary evaluation of the value that might be attained through a competitive bidding process with respect to premium, cost-sharing, and benefits and how this would compare to the health benefit plans and tax credits available to the population eligible for this option in the absence of developing this program;
- B) The product offerings available through the Health Connector, and if/how these products should be refined as we work toward compliance with federal requirements in 2014. Some areas in need of assessment include evaluating the benefit structure and eligibility for Young Adult Plans (YAPs) and developing a plan to transition these products to catastrophic plans as well as aligning the current Gold, Silver, and Bronze tiers of products in the CommChoice program to the levels and actuarial values specified in PPACA;
- C) The interests and needs of small businesses interested in purchasing health insurance through the Exchange, and in turn, how the Health Connector might best serve this population. This would include, for example, an evaluation as to how the Exchange should define small employers prior to 2016 (i.e., whether the state should maintain its existing definition of 50 or fewer employees or whether this should be expanded to 100 or fewer employees), as well as what types of plans might be most appealing to small employers and their employees; and
- D) Decisions needed to transition from the state's current adult health coverage mandate to the coverage mandate envisioned by PPACA. Examples of such policies that will need to be considered include the affordability schedule used to determine application of the individual mandate and the state's MCC regulations.

The outreach model employed to solicit input and disseminate information in 2006 and 2007, following implementation of the state's health reform law, provided us a strong foundation on which we continually build. We will collaborate with other state agencies and rely on various different mechanisms to facilitate input and engagement from stakeholders. We would hold multiple public meetings or forums, and likely establish task forces and working groups in select areas involving relevant stakeholders to ensure we have raised certain questions and heard feedback from all areas of our state. We will also evaluate the utility of hosting webinars or relying on other forms of media to engage relevant stakeholders. We feel confident that our existing relationships with stakeholders and prior experience will enable us to swiftly develop a robust and well-organized approach for facilitating involvement among key players on a variety of important issues associated with planning for compliance with federal health reform requirements in 2014.

3. Program Integration

The Health Connector currently works closely with MassHealth to determine eligibility for subsidized health insurance. Individuals in Massachusetts must complete a single form used by MassHealth to determine eligibility for most of the state's health insurance programs.

The Health Connector and MassHealth will work to inventory the functionality of current systems used to determine CommCare and CommChoice eligibility. A primary focus of this work will include a review of the existing IT and operational infrastructure in place to verify citizenship and access to ESI. These systems will be compared to that which will be required to determine Exchange eligibility in 2014.

The Health Connector and MassHealth will develop recommendations for appropriate program integration, including any internal integration of existing programs and functions associated with the different programs administered by the Health Connector. For example, we will evaluate the Health Connector's existing relationships with and the services provided by MassHealth, Dell Systems and

SBSB. We will also produce an implementation timeline for any required or suggested changes and necessary technological enhancements. As mentioned above, a continued focus of the Health Connector will be identifying and leveraging cost and operational efficiencies.

4. Resources and Capabilities

The Health Connector will use funds awarded under this grant to contract with expert consultants and to fund staff costs associated with planning for national health reform requirements relating to Exchanges. We have a longstanding consulting relationship with an expert analyst, Ann Hwang, MD. We will continue our contract with her (see Attachment 9) as we carry out planning activities specified in this narrative, in addition to contracting with expert consultants who are yet to be determined.

Given the scope of research and analysis, and the multitude of projects the Health Connector needs to undertake to ready ourselves for 2014, we plan to engage a Project Manager to oversee all planning efforts. The Project Manager will perform a number of functions. The Project Manager will be charged with organizing existing Health Connector staff and other resources into project teams, and developing a work plan and timeline for these projects. For many of the projects we will be undertaking, we envision the possibility of needing various forms of consulting support including research, analytic, business development, legal, actuarial, communications, facilitation, IT, and financial planning assistance (based on the areas for analysis as identified in this narrative). The Project Manager will be responsible for aiding the Health Connector in identifying, selecting, and contracting with appropriate consulting services, where necessary. Monitoring the status of all projects and collaborating with staff and selected consultants to create a transition plan for the Health Connector for the years leading up to 2014 will also be required of the Project Manager. Finally, the project manager will work with staff to frame the strategic plan for operations once the Health Connector is fully aligned with federal requirements for Exchanges.

5. Governance

The Connector Board approves all major policy, regulatory and programmatic decisions, and generally meets on a monthly basis in a public forum. As part of its planning efforts, the Health Connector will evaluate Exchange governance requirements under PPACA and identify ways in which the existing governance structure may need to be modified to come into compliance with federal standards.

The Health Connector will also explore the possibility and desirability of a regional Exchange or other forms of regional collaboration. This would include an assessment of the opportunities and challenges presented by a regional model, discussions with nearby states on this topic, activities associated with multi-state planning, including the determination of market overlap for currently participating health plans, as well as the regulatory, licensing, and market analyses required to inform this decision.

6. Finance

In June 2006, the Health Connector was provided an initial appropriation of \$25 million from the Commonwealth, which was expected to cover start-up costs and operating expenses until the Health Connector could become self-sustaining. The Health Connector is authorized to deduct an administrative fee on all health insurance plan purchases, based on a percentage of the capitation payments for the CommCare program and monthly premiums for the CommChoice program.⁷

As part of its planning analysis, the Health Connector will review the current cash flow structure that it employs and map out any potential changes required. For example, the Health Connector currently receives premium payments from all premium-paying individuals who purchase through the Health Connector and subsequently distributes the premium payments to the appropriate health plans. The Health Connector will explore if this payment structure must be modified (e.g.,

⁷ M.G.L. c. 176Q § 12.

consumers pay health plans directly) under federal health reform requirements. If so, we will develop an alternative model to finance Exchange functions that is consistent with federal financial operating requirements.

The Health Connector is also interested in the development of financial/accounting practices that will assure proper segregation of funding for abortion coverage per section 1303 of PPACA. Similarly, we want to ensure we have the structure in place to ensure proper assessment and payment segregation for those mandated health benefits required by the state, but that are not required “essential health benefits”.

The Health Connector will identify any changes it will need to implement to ensure compliance with federal requirements for accounting, auditing, and reporting. We will create models to project the operating budget necessary to maintain operational self-sustainability under federal requirements, particularly in light of some of the changes with respect to the population and market the Health Connector may serve.

Finally, we will also develop a budget proposal for the second phase of grant opportunities for planning and implementation in the Spring of 2011.

7. Technical Infrastructure

As part of planning and analysis, the Health Connector will determine the IT requirements and process for implementing changes to the Health Connector’s website required by federal law. In addition, pending forthcoming information from the federal government, we will identify the interoperability and compliance of existing practices with federal requirements pertaining to data transfer and file sharing.

We will also work with MassHealth and staff to explore the possibility of a web tool for consumers that would include eligibility information for all subsidized programs; based on specific information inputted by an individual, the tool would provide detailed information as to the programs or resources

available to them. We will also investigate new decision support tools to aid in health plan selection, and consider enhancements to existing web tools and member communications to provide members health education, and more information regarding coverage options and interpretation of coverage.

As described in Section 3 on program integration, the Health Connector will assess options and/or enhancements required to ensure eligibility determination and citizenship verification processes are interoperable with federal standards.

8. Business Operations

As described in Section 3 on program integration, a strong focus for the Health Connector – in collaboration with MassHealth - will be an evaluation of the existing eligibility determination system, and a plan for the revisions and enhancements necessary to align capabilities and functionality with federal requirements.

The Health Connector will work to evaluate how existing Health Connector products align with federal “qualified health plan” specifications. For example, the Health Connector currently offers YAPs that provide coverage for 18–26 year olds, a population with a disproportionately high uninsurance rate prior to 2006. We will assess the specifications of the catastrophic coverage as defined by PPACA⁸ and will work with Health Connector staff and carriers to develop a plan to transition YAPs to meet the catastrophic coverage requirements by 2014. Additionally, CommChoice benefit tiers are defined based on a standardized benefit design, while the PPACA defines Bronze, Silver, Gold, and Platinum tiers based on the actuarial value of a health plan. We will evaluate the actuarial value of existing Health Connector products and make recommendations for any changes or additional products the Health Connector may need to offer to comply with federal benefit tier specifications.

The Health Connector currently operates risk sharing, re-insurance, and risk adjustment programs for the CommCare program. We will determine how these are transitioned to broader programs across

⁸ PPACA § 1302(e).

the entire small/non-group market, if necessary for compliance with federal requirements. Finally, we will need to develop a plan for the administration of premium credits and cost-sharing assistance according to the schedule outlined in PPACA.

9. Regulatory or Policy Actions

The role of the Health Connector and the operation of its programs are defined within statute and regulations promulgated upon Chapter 58's implementation. The key policy decisions associated with implementation of the state's health insurance coverage mandate are currently governed by the Board of the Health Connector. Though the health coverage mandate under PPACA is not the responsibility of the Exchange per se, the Health Connector will be interested in developing a framework for transitioning to compliance with the new federal rules in this area, given its current role overseeing Massachusetts' health coverage mandate.

Examples of areas that will require consideration for this task include: MCC and minimum essential coverage requirements, definitions of affordability and exemptions from the individual mandate.

Last, federal health reform introduces some new opportunities and requirements that may require authorizing legislation or regulatory development. For example, to the extent the state wishes to modify its definition of a small employer, new regulations may need to be issued.

Conclusion

The Health Connector appreciates the opportunity to apply for grant funding to assist with the planning and establishment of a federally compliant Exchange. Though we are very proud of our success to date in establishing an Exchange and enhancing health insurance coverage in our state, we recognize there is much work to be done to come into compliance with federal requirements effective as of 2014. We are seeking these funds to develop a national health reform transition program that will

enable us to define areas in need of modification, identify new opportunities and requirements, and to subsequently identify a strategic and operational plan and implementation timeline. With the assistance of a multi-disciplinary project and consulting team, we are confident in our abilities to accomplish the objectives and activities described within this application. We look forward to working with OCIO and other states on this important initiative as they plan and implement Exchanges throughout the nation.