

## **PROJECT NARRATIVE**

Pennsylvania understands the potential value of operating a state-based exchange and, at this time, is planning on moving forward with exchange planning and development. It understands this is a complex and time consuming process and action should be taken immediately in order to meet federally set timelines. Pennsylvania welcomes this opportunity to continue the planning and development process. The state agrees to the requirements set forth in this cooperative agreement and will use the funding to inform how best to design, establish, and operate an exchange in the Commonwealth. These efforts will determine whether it is necessary to seek additional federal grants to establish a certifiable exchange and create programs, processes, and policies that best meet the needs of the residents and the objectives of the state.

The following narrative outlines Pennsylvania's exchange planning progress to date and its proposal to meet program requirements. However, because many of the federal regulations related to exchange processes and operations have not yet been finalized or released, newly released and revised regulations may dictate revised approaches by Pennsylvania.

### **Demonstration of Past Progress in Exchange Planning Core Areas**

Using Exchange Planning Grant funds, Pennsylvania has spent the last year exploring various options related to implementing a state-based health insurance exchange. The Pennsylvania Insurance Department (PID) contracted with a consulting group, KPMG LLP, to assist with identifying, collating, and presenting information for the Commonwealth to consider in their decision to develop an exchange. As part of this project, KPMG conducted significant background research and analysis related to each of the eleven exchange establishment core areas. Using this information, the Commonwealth made the decision to develop a state-based exchange and identified areas for further research. At this time, Pennsylvania intends to establish a state-based health insurance exchange; however, the design and content of the exchange is still to be determined and will be affected by future research, new and revised regulations, court decisions, and/or legislative actions.

#### ***Background Research***

During the exchange planning phase, PID completed in-depth research on Pennsylvania's health insurance market. PID contracted with KPMG to identify existing background information that could be used in exchange planning as well as additional background information that may be useful in understanding how an exchange would affect the insured and uninsured populations in Pennsylvania. As one portion of this research, KPMG conducted a demand analysis of Pennsylvania's population that will be eligible to purchase health insurance through a health insurance exchange in 2014.

For the demand analysis, KPMG compiled demographic information from PID, US Census, Bureau of Labor and Statistics, Pennsylvania State Data Center, Kaiser Family Foundation, and other sources to construct a current picture of the Pennsylvania health insurance system. Because the analysis was conducted by region, KPMG also developed regional population estimates and key demographics. To help the Commonwealth better understand demand drivers for the exchange, KPMG developed three distinct scenario tests for the model—economic impact, shifting in insurance coverage, and demand curve. The assumptions chosen for each scenario were based on historical trends and external projections. Results from the scenario tests are detailed below:

## Scenario Test 1: Economic Impact

*How current economic conditions affect total demand for an exchange*

Scenario	Small Group	Individual	Uninsured	Total Demand
Unemployment Rate = 7.25% Uninsured Rate = 10.54%	1.3 M	680,000	1.4 M	1.9 M
Unemployment Rate = 8.05% Uninsured Rate = 15.27%	1.2 M	617,000	2.0 M	2.2 M
Unemployment Rate = 6.44% Uninsured Rate = 9.46%	1.4 M	700,000	1.2 M	1.8 M

## Scenario Test 2: Shifting in Insurance Coverage

*How individual and small group market shifts affect total demand for an exchange*

Scenario	Small Group	Individual	Uninsured	Total Demand
Individual = 10.64% Small Group = 21.19%	1.3 M	682,000	1.4 M	1.9 M
Individual = 9.00% Small Group = 21.19%	1.3 M	573,000	1.4 M	1.8 M
Individual = 10.64% Small Group = 18.01%	1.1 M	682,000	1.4 M	1.8 M

## Scenario Test 3: Demand Curve Participation Percentages

*How the variability of participation percentages affect total demand for an exchange*

Scenario	Small Group	Individual	Uninsured/ Employed	Uninsured/ Unemployed	Total Demand
A	33%	45%	60%	100%	1.88 M
B	38%	50%	60%	100%	2.00 M
C	33%	45%	60%	90%	1.87 M
D	33%	45%	50%	90%	1.75 M

Coupling these scenario tests with empirical sensitivity analysis led to a range of participation estimates for the exchange. KPMG estimates that 2.0 to 2.2 million individuals may participate in a health insurance exchange in 2014 (excluding individuals eligible for Medical Assistance or CHIP). While these estimates are likely conservative, they provide a reasonable foundation for the volume expected to participate in the exchange and can be used to evaluate systems, resource, and process strain.

In addition to the analysis done by KPMG, PID contracted with the Neiman Group to conduct a study to obtain key information from small businesses and explore consumers' current understanding of a health insurance exchange, including:

- Awareness and understanding of an exchange

- Openness to the concept of an exchange
- Experiences exploring comprehensive health insurance options and trusted resources
- Must-have vs. nice-to-have information when comparing health insurance options
- Potential customer expectations for an exchange
- Potential messaging opportunities

To accomplish these goals the Neiman Group issued an online survey in the fall of 2011. Survey participants included small business owners, health insurance decision makers, and Pennsylvania workers age 18-29 and 30-65. From this survey, the Neiman Group was able to obtain key information from small businesses and consumers about their current experiences in the Pennsylvania insurance market as well as their understanding and perceptions regarding a possible exchange. The following table includes highlights from the report. The full report is available at [www.PaHealthOptions.com](http://www.PaHealthOptions.com).

Small Businesses	Consumers
Two out of five do not offer health insurance to employees—the most common reasons are price (41%) and the perception employees do not need it (20%)	More than half (56%) have insurance through their employer who shares the cost
Of the businesses that offer insurance, most are very satisfied with their current plan, although they are not as positive about employee satisfaction with the plan	About two-thirds are very satisfied with their health insurance; half feel they receive excellent value
Cost is the number one reason to explore new insurance options; being able to easily compare options would also incentivize exploring new options	Cost is the number one reason to explore new insurance options; being able to easily compare options would also incentivize exploring new options
Interest in a health insurance exchange is high (62%), especially if it offers cost, benefit, and provider information for each plan	Only about 1 of 10 people are aware of health insurance exchanges; 50-53% feel they would be very interested in using an exchange

The Neiman Group recommended that for a state-based exchange to be successful in Pennsylvania, it should: 1) provide a way for businesses and consumers to ask questions and get the right information; 2) ensure that all language and information on the exchange Web site can be easily understood and is actionable; and 3) provide a comprehensive list of all the quality options available. Consumers and businesses alike are interested in a resource that can provide easy-to-understand information about health insurance options available to them.

During the initial planning phase, PID also contracted with Navigant, Inc. to provide an assessment of the Commonwealth’s existing IT infrastructure that could potentially be used in implementing an exchange. Navigant performed a comparison of the draft Commonwealth exchange capabilities statement to Federal requirements, guidance from national organizations, and other state approaches. For its analysis, Navigant interviewed representatives of Commonwealth agencies and high-frequency COMPASS users as well as performed a high-level review of other state and commercial exchanges. More information on this study is included in the —Exchange IT Gap Analysis” section and the full report can be provided upon request.

Pennsylvania plans to use these reports, and others conducted before the exchange planning process such as the 2004 and 2008 Insurance Status Surveys, as a base for further exchange planning and development.

**Stakeholder Consultation**

During the exchange planning phase, PID actively engaged stakeholders in exchange planning discussions. The following table summarizes activities performed to date.

Activity	Description	Delivery Method/Training
PID Web site	<p>Contains various related articles, statements, letters and other documentation regarding exchange planning for the public to view:  <a href="http://www.pahealthoptions.com/">http://www.pahealthoptions.com/</a></p>	On-going
Health Insurance Exchange Forums	<p>PID executed three stakeholder meetings during the month of August. PID posed several questions to potential participants in advance of the sessions, some of which included:</p> <ul style="list-style-type: none"> <li>• Should Pennsylvania establish and run an exchange, or should Pennsylvania allow the Federal government to establish and run the exchange?</li> <li>• Should the exchange function as a market organizer or as an active purchaser?</li> <li>• How should the exchange be organized and governed?</li> </ul> <p>These sessions enabled the Commonwealth to:</p> <ul style="list-style-type: none"> <li>• Brief the public about health insurance exchanges and share PID’s initial thoughts on potentially developing a state exchange</li> <li>• Provide a forum for stakeholders to share their input and public ideas on the exchange</li> <li>• Outline critical areas where future stakeholder input is needed</li> <li>• Further identify and enhance the network of interested parties to involve in exchange planning</li> </ul>	<p>In-person meetings held at the following locations:</p> <ul style="list-style-type: none"> <li>• Pittsburgh (08/09/2011)</li> <li>• Philadelphia (08/11/2011)</li> <li>• Harrisburg (08/23/2011)</li> </ul> <p>Video recordings of each session are available online.</p>
Individual Meetings	<p>PID has met with individual stakeholder groups to discuss particular issues/concerns related to the planning, establishment, and operations of a potential state-based exchange.</p> <p>Stakeholder groups PID has met with on an individual basis include small-businesses, agents, brokers, technology providers, advocacy groups, and insurance carriers.</p>	On-going as requested of PID or initiated by PID

<p>Health Insurance Exchange Survey</p>	<p>A survey was administered by the Neiman Group on behalf of PID to obtain key information from small businesses and consumers about their current experiences in the Pennsylvania insurance market as well as their understanding and perceptions regarding a possible exchange (more information on this survey is available in the “Background Research” section). Results are posted online at <a href="http://www.PaHealthOptions.com">www.PaHealthOptions.com</a>.</p>	<p>Conducted online between August 1 and August 12, 2011. Survey participants included:</p> <ul style="list-style-type: none"> <li>• Pennsylvania Small Business Owners/Health Insurance Decision Makers</li> <li>• Pennsylvania workers age 18-29</li> <li>• Pennsylvania workers age 30-65</li> </ul>
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The Health Insurance Exchange Forums have had the broadest reach of stakeholder engagement thus far. More than 800 stakeholders attended the forums and included representatives from:

- The advocacy/consumer community
- The agent/broker/producer community
- Pennsylvania citizens
- The faith-based community
- Hospital/medical providers
- The insurance industry
- The small business community
- Technology/information service providers

To date, PID has verbally heard from nearly 90 health care consumers, payers, and other stakeholders through the Pittsburgh, Philadelphia, and Harrisburg forums. Attendees who wanted to speak publicly during these sessions were requested to register and provide a written copy of their comments. Others who could not attend or did not want to speak publicly could provide written comments and submit them electronically on PID’s Web site. This allows PID to systematically catalogue and review all comments and concerns related to developing a state-based health insurance exchange as it continues in the planning process.

All submitted questions and videos of each session are accessible online at: <http://www.pahealthoptions.com/>

***State Legislative/Regulatory Actions***

To plan for needed legislative and regulatory actions, consultants provided the Commonwealth with a review of regulatory guidance from the Affordable Care Act (ACA) and the Department of Health and Human Services (HHS) as well as emerging practices from other states. The consultants also provided the Commonwealth with an outline of possible influencers to consider and key decisions to be made with regard to legislative and regulatory actions as it moves forward in the planning process. Examples include timing constraints, possible stakeholder involvement, and SHOP-specific considerations. This information, as well as additional proposed regulations and anticipated finalized regulations from HHS, will guide and inform the Commonwealth as it develops the necessary legal authority to establish, govern, and operate an exchange.

Two pieces of enabling exchange legislation have been introduced independently by lawmakers in the General Assembly; however, they have not seen any movement during the current session. Legislation consistent with the Administration’s vision has not been introduced at this time. PID has outlined the necessary steps and milestones associated with the exchange legislation process in Pennsylvania and is gathering further information on the oversight needed for a Pennsylvania-based exchange.

***Governance***

To plan for the administrative and governance structure of an exchange, consultants provided the Commonwealth with a review of ACA and HHS regulatory guidance on the exchange governance structure (as then proposed) as well as emerging practices from other states. The consultants also provided the Commonwealth with an outline of possible influencers to consider and key decisions to be made as it moves forward in the planning process. Examples include necessary legislative and regulatory action, possible stakeholder involvement, and SHOP-specific considerations.

A qualitative analysis outlining possible advantages and disadvantages associated with each governance structure was developed for the Commonwealth to review during their planning and decision-making process. Highlights from this analysis are provided below:

Quasi-Government	Not for Profit	Existing Agency	Federal
Greater flexibility in personnel, procurement, and other matters than is the case with a state agency	Lesser oversight and reduced applicability of state regulations might maximize the exchange’s flexibility	May need less start-up funding and could have lower ongoing administrative costs	Federal government would be responsible for making the exchange self-sustaining by 2015
Independence from existing agencies minimizes conflict of interest	Hire and spend money when necessary with minimal hindrance from purchasing requirements	Fewer privacy concerns regarding data transfer	Might bring economies of scale that could reduce administrative costs
Might allow the exchange to work more closely with government agencies and politicians than entities not created by state law	More removed from government regulation and oversight, and would be further removed from political influence	Large carriers in the state and region are already used to working with PID	Might ultimately be more costly for the state, depending on how the start-up costs and ongoing expenses are funded

This information guides and informs the Commonwealth as it continues to evaluate options and makes its decisions regarding the administrative and governance structure of an exchange.

***Program Integration***

Consultants provided the Commonwealth with an initial assessment of how a state-based exchange may successfully interact with appropriate state and federal programs. For example, Pennsylvania is fortunate to have technology in place for the Commonwealth’s Medical Assistance and CHIP programs that could potentially be leveraged in the development of certain functions of an exchange, like eligibility determinations. These systems are accompanied by policies, procedures, and training materials that provide a starting point to potentially develop and support some of an exchange’s portal functions or provide an interface with commercially operated portals. The Commonwealth also has a technical infrastructure in place that may be leveraged for consumer assistance, if appropriate. More information on

these points is provided in the IT Gap Analysis section and will be further informed by future gap analyses.

In addition to technical integration, PID has made some initial planning efforts with regard to administratively coordinating state health programs and the state insurance regulatory entity with an exchange. For example, the Insurance Department's current policies and procedures provide a starting point for defining how insurers can qualify insurance product offerings as qualified health plans (QHPs). Pennsylvania's Exchange Team continues to meet weekly and collaborate on exchange planning and development. This includes developing strategies to ensure that all state agencies affected by exchange development—or house resources/processes that could be leveraged for exchange development—are engaged in the process.

Several discussions with the Pennsylvania Department of Public Welfare (DPW) were held in 2010 and 2011. These high-level discussions focused on possible program integration strategies for Medical Assistance and other public assistance programs—including how the exchange can potentially leverage Pennsylvania's current Medicaid and CHIP "express lane" eligibility system. PID is planning to engage DPW at a deeper level in the next phase of the exchange planning and development process. Similarly, PID has for many years relied on the Pennsylvania Department of Health to license managed care provider networks by county and plans to examine whether it is possible to leverage this capability in exchange operations.

The consultants also provided the Commonwealth with a review of ACA and HHS regulatory guidance on program integration (as then issued), emerging practices from other states, as well as an outline of possible influencers to consider and key decisions to be made as it moves forward in the planning process. Examples include financial/resource challenges, timing constraints, and possible stakeholder involvement. The Commonwealth is currently reviewing this information and will move forward with finalizing its program integration strategy, including how best to leverage existing resources to provide for a seamless eligibility verification and enrollment process, in the next phase of exchange planning.

### ***Exchange IT Systems***

To help the Commonwealth better understand what resources are necessary to develop an exchange IT system that ensures a modular, flexible approach to systems development, several IT Gap Analyses were conducted (information on the results of these analyses is provided in the "Summary of Exchange IT Gap Analysis" section). The primary purpose of these analyses is to evaluate which existing state technologies can be used in systems development and to give the Commonwealth a sense of the IT Systems implementation effort required for designing and developing a Pennsylvania-based exchange. The analysis conducted by KPMG specifically assessed existing core Commonwealth systems against known exchange requirements. Both the "Key Principles of Exchange IT Capabilities" and the "Core Exchange Functions supported by IT," as described in Appendix D of the Cooperative Agreement, were considered in this analysis.

In addition to completing an IT Gap Analysis, consultants provided the Commonwealth with a review of all ACA and HHS regulatory guidance on exchange IT systems to date, including the use of open interfaces and exposed application programming interfaces, the separation of business rules from core programming, and making business rules available in both human- and machine-readable formats. This information will be used by the Commonwealth as a guide as it moves forward in planning for the technical components of an exchange. A review of emerging practices from other states was also provided as well as an initial assessment of the IT components being built by other states. PID and DPW intend to

review this information and determine which components the Commonwealth could adopt, modify, and implement in its own exchange system.

The Commonwealth has several core system components (applications, tools, services and data interfaces) that are robust and mature enough to contribute to exchange architecture. However, because the ACA prescribes several new functional capabilities that virtually no state currently has in place (nor which the federal government has demonstrated as of yet); the Commonwealth is planning to continue to assess the applicability of the system models developed by —Early Innovator” States, particularly Wisconsin, and in the private sector.

Consultants have outlined possible influencers to consider and key decisions to be made as the Commonwealth moves forward in planning and making decisions regarding the IT components of an individual and small business exchange. Examples of key decisions include determining the appropriate delivery model and core exchange functions. Possible influencers include timing constraints and stakeholder involvement. The Commonwealth is currently reviewing this information and plans to move forward with finalizing its exchange IT systems strategy in the next phase of the exchange planning and development process.

### ***Financial Management***

In addition to a review of ACA and HHS regulatory guidance on financial management, consultants provided the Commonwealth with a qualitative summary of potential funding sources for the exchange. This research will serve as the starting point for the Commonwealth as it begins to define the exchange’s financial management infrastructure. To meet the self-sustaining operations goal by 2015, a detailed analysis of operating costs, enrollment estimates, and other cost drivers will need to be undertaken.

During the exchange planning phase, PID began to examine some of the emerging practices from other states related to financial management. This provided the Commonwealth with some context as to which methods are being most utilized and which ones have the most potential for success. PID and DPW plan to continue to monitor the development of exchange financial management infrastructures in Early Innovator States, in states that are further along in the exchange planning and development process, and in the private sector.

With respect to establishing accurate accounting practices and application of generally accepted accounting principles, the Commonwealth plans to use process integration consultants in the next phase of the planning and development process to examine existing accounting systems, internal controls, and financial reporting processes. These processes are anticipated to be leveraged for the exchange if determined appropriate and feasible. With respect to annual audits (financial statement audits or other audits required by the ACA), Commonwealth law gives the State Auditor General the —first right of refusal” to perform any —statutorily required audit.”

In terms of managing Exchange Establishment Cooperative Agreement funds, Pennsylvania will continue to adhere to all reasonably required financial monitoring activities.

### ***Program Integrity***

The Commonwealth currently relies on a multi-agency, segregation of duties approach, and other checks and balances to ensure program integrity. PID has begun to catalogue and analyze what systems and processes exist and which ones can potentially be leveraged for monitoring financial integrity, oversight,

and the prevention of fraud, waste, and abuse. Examples of current systems include the Quality Assurance division of the State Comptroller's Office, the State Auditor General, the Medicaid Inspector General, etc. Pennsylvania's Medical Assistance system utilizes a systematic Fraud, Waste and Abuse capability to identify potential irregular payments and duplicative beneficiaries, which Pennsylvania CHIP also plans to use. Further research and analyses will be necessary to determine the costs/benefits of leveraging these programs for the exchange versus establishing new ones.

A certain degree of member "self attestation" is used in the eligibility determination process that is subsequently authenticated to a large extent. Pennsylvania's experience with authentication of self attestation of income information indicates self attestation is demonstrably not sufficient. Pennsylvania therefore intends to use data exchanges and other data sources, involving paper documentation of income in some cases, to verify income and household composition for individuals likely to be eligible for Medical Assistance and/or CHIP.

Consultants provided the Commonwealth with a brief review of ACA and HHS regulatory guidance on exchange oversight and program integrity (as then issued). The Commonwealth was also provided with a qualitative outline of how a possible financial management and program integrity infrastructure could be designed and implemented under various governance models. PID and DPW will reference this information and emerging practices from other states as it continues to research, plan, define, and establish program integrity systems and processes. Possible influencers to consider and key decisions to be made with regard to oversight and program integrity were also outlined by consultants.

### ***Health Insurance Market Reforms***

PID leads state efforts to oversee and implement health insurance market reforms in Pennsylvania as well as to ensure that insurance carriers doing business in the state are in compliance with these reforms. For example, PID developed a "Guidance for Compliance Filings" factsheet and established a "Certification" process in 2010 for insurance carriers to submit evidence of satisfying certain ACA requirements. This process allows insurers, if ordinarily required by Act 159 of 1996 to file a policy form with the Department for prior approval, to submit a "Certification" form as evidence of satisfying the ACA immediate market reforms (as long as the insurer is not seeking to make any changes other than as necessary to comply with the ACA). These forms are to be filed upon completion of all necessary modifications.

PID is also the recipient of two Rate Review Grants awarded from HHS. It is using these funds to enhance its rate review process and mitigate unreasonable health insurance premium increases. PID has proposed using the grant for activities including, but not limited to:

- Contract with an actuarial services consultant to provide assistance with the expanded commercial small group rate review responsibilities.
- Study the legal ramifications of Pennsylvania's Right-to-Know law pertaining to confidentiality of the various components of health rate filings submitted by insurers.
- Make modifications to the Web site to facilitate consumer's ability to understand health rate filings and their ability to make public comments concerning those filings.

In December 2011, Pennsylvania's General Assembly passed legislation to create an effective state rate review program. This legislation gives the state the authority to review, and if necessary, disapprove health insurance rate increases over 10%. The legislation was the result of a collaborative process between government, small business consumers, and the insurance industry and exemplifies the type of practical and collaborative process the state will use as it works to establish an exchange and other necessary health insurance market reforms.

### ***Providing Assistance to Individuals and Small Businesses, Coverage Appeals and Complaints***

The Commonwealth has successfully implemented several programs that provide assistance to consumers. For example, the APPRISE program was created to help Pennsylvanians with Medicare understand their health insurance options and help them make sound decisions about what is best for them. This program includes a variety of methods to train and keep APPRISE coordinators up-to-date on program information. Pennsylvania also has a program to allow organizations to register as COMPASS Community Partners and be granted access to COMPASS in order to assist individuals who need help applying for social programs offered through COMPASS. The Commonwealth is evaluating whether to expand the Community Partner program to possibly include those who can assist potential exchange applicants.

The current PA multi-agency Health and Human Services Call Center (HHSCC) operates 11 help lines with over 9,500 calls per month. It processes close to 6,000 written health insurance complaints and inquiries and responds to approximately 5,000 health insurance related inquiries annually. Over 85% of all calls over the past six years have been related to CHIP and adultBasic (a program that provided health care coverage to low-income adults). In addition to providing live assistance via telephone, the current vendor also provides live, online chat assistance. The Call Center operates based on a series of databases that allow operators not only to direct inquiries for services, but also to assess both the immediate and longer-term needs of callers. This coordinates the application/enrollment or referral to all relevant human services across the various human services agencies. Call Center operators can also access COMPASS to assist callers with eligibility determination processes and completing applications. Continuation of this type of call center is under evaluation.

Rather than creating an ombudsman position, PID has enhanced its Bureau of Consumer Services to provide a number of services that would have otherwise been provided by an office of health insurance ombudsman.

The Commonwealth is evaluating its current consumer assistance programs and determining whether they can be leveraged for an exchange or how they would interface with commercially operated consumer services functions. Consultants provided the Commonwealth with a review of HHS proposed regulatory guidance as well as a qualitative outline of how assistance programs could be designed and implemented under various governance models. PID and DPW expect to reference this information as well as study emerging practices from other states as it continues to research, plan, and define exchange assistance programs and processes. Possible influencers to consider and key decisions to be made with regard to oversight and program integrity were also outlined.

### ***Business Operations/Exchange Functions***

The Commonwealth has conducted a review of existing federal regulatory guidance for both the individual and small group exchange as well as the delineation of the ACA-functions required of the small group exchange. It also developed a preliminary list of needs for the development of exchange business operations and exchange functions through the IT Gap Analyses. Consultants have identified emerging practices from other states as well as key decisions and influencers the Commonwealth should consider as it moves forward with exchange planning and development. Key highlights from this initial assessment are presented in the table below.

<b>Minimum Functions of an Exchange</b>	
Certification, recertification, and decertification of QHPs	PID has well-established policies, processes, and communications that support the current rate filing process. Data from the rate filing process could potentially be leveraged to support the certification process.
Call Center	The current Call Center is effective. PID and DPW are analyzing the pros/cons of using or building on the Call Center’s capabilities, or developing an integrated customer service function, to enhance the consumer experience and provide assistance to exchange users.
Exchange Web site	The IT Gap Analysis conducted by KPMG notes several areas where the core Commonwealth systems support certain functions of an exchange portal, including Web browser-based primary interfaces and multiple views.
Premium tax credit and cost sharing reduction calculator	As with many states, Pennsylvania currently does not have any systems or processes in place to support this program. The Commonwealth will look to emerging practices from other states for guidance, as well as final direction from HHS and the IRS in this area.
Quality rating system	Consideration should be given to creating a quality rating system that provides consumers with information to make an informed decision about their health insurance needs. Multiple rating systems are a potential option. The rating system could be defined in a variety of ways, for example, using a letter grade, a numerical grade, or a five-star quality rating similar to the current Medicare Advantage ratings.
Navigator program	PID has well-established policies, processes, and communications materials that support producer licensing. PID and DPW also have experience with community partners assisting applicants for Medical Assistance and CHIP. This collection of assets could be leveraged for the creation of the Navigator licensing/certification process once the Navigator program is more fully defined and a financing mechanism is determined.
Eligibility determinations	The Commonwealth has in place well-defined and documented procedures for eligibility determinations for its CHIP and Medical Assistance programs. As the state plans for the development of exchange eligibility determinations, leveraging the state’s current procedures will be evaluated.
Seamless eligibility and enrollment process	Current eligibility and enrollment systems are being evaluated and future research is planned for this core area. The Commonwealth has years of experience with express lane eligibility between the Medical Assistance and CHIP programs, which are operated in different state agencies with different IT systems.
Enrollment process	The Commonwealth has well-defined and documented enrollment procedures for its CHIP and Medical Assistance programs. PID and DPW are determining how to build on the current technology that supports these programs for exchange development.
Application and notices	Exchanges are to use a single streamlined application. The Commonwealth will look to emerging practices from other states, as well as final guidance from HHS in this area, as it makes decisions regarding exchange development.

Individual responsibility determinations	The Commonwealth has well-established technology in place to receive and process online applications for Medical Assistance and CHIP. If the Commonwealth chooses to leverage this technology for an exchange, functionality for the intake and processing of individual responsibility exemption applications could be included with the other enhancements needed to extend those systems to cover exchange requirements.
Administration of premium tax credits and cost-sharing reductions	Final guidance from HHS is anticipated on the topic of administering premium tax credits and cost sharing reductions. The Commonwealth is aware that successful subsidy implementation is dependent on the eligibility determination system used to support an exchange.
Adjudication of appeals of eligibility determinations	The Commonwealth has well-defined and documented procedures in place for appeals of eligibility determinations for its CHIP and Medical Assistance programs. PID and DPW will evaluate whether these procedures could be leveraged for an exchange. Future rulemaking from HHS is anticipated to define the standards for the appeals processes.
Notification and appeals of employer liability	Existing appeals processes could possibly be leveraged for an exchange. Future research on emerging state practices is planned for this core area.
Information and reporting to IRS and enrollees	Final guidance from HHS/IRS is anticipated on the topic of information reporting to the IRS and the enrollee. Compliance with both state and federal consumer privacy and security safeguards must be observed if an exchange plans to request such information.
Outreach and education	PID has conducted some initial outreach and education on health insurance exchanges (more information is available in the “Background Research” and “Stakeholder Consultation” sections). This will be an area of focus as the Commonwealth moves forward.
Risk adjustment and transitional reinsurance	Planning for necessary data collection to support risk adjustment includes collecting demographic, diagnostic, and prescription drug data as determined appropriate. Pennsylvania understands that HHS is working with insurance plans and experts so each state does not have to develop a risk adjustment model independently.
SHOP Exchange-specific functions	Consultants provided the Commonwealth with a review of existing federal regulatory guidance for SHOP exchange functions (as then proposed) as well as points to consider related to each exchange core area. The Commonwealth is reviewing these proposed regulations and considerations and plans to incorporate them into future planning processes.

## **Proposal to Meet Program Requirements**

As long as the ACA remains as law, the general consensus in the Commonwealth is that Pennsylvania should establish a state-operated health insurance exchange. With the funds awarded through the Exchange Planning Grant, the Commonwealth performed extensive background research on health insurance exchanges as well as began the initial planning process for a possible Pennsylvania-based exchange.

Pennsylvania's goals for the next phase of this development process are to continue research-supported planning to assure that the state designs and builds an exchange that meets the needs of its residents and the objectives of the state. Due to its small staff, limited resources, and condensed timelines, PID and DPW plan to engage a number of consultants and contractors to further support state decision making with respect to exchange development, operations, and oversight, as well as to assist in the design, development and implementation of an exchange. The roles and responsibilities of these consultants and contractors are outlined in the sections below. Throughout this process, Pennsylvania will continue to review the progress of Early Innovator States and determine which functions and capabilities it could leverage in its own exchange development. Pennsylvania will also continue to monitor the federal regulations being promulgated. Newly released and revised federal regulations may dictate revised approaches by Pennsylvania.

All of the proposed planning, development, and establishment activities outlined in this section will be overseen by the Exchange Team, which consists of key PID and DPW staff, and will be led by the Project Director, Franca D'Agostino, Director of Special Projects at the Pennsylvania Insurance Department. Ms. D'Agostino will be responsible for overseeing the work completed by workgroups, consultants, and contractors as well as ensuring all monitoring and reporting of cooperative agreement activities is completed.

### ***Background Research***

During the initial planning phase, PID conducted a demand analysis of Pennsylvania's population that will be eligible to purchase health insurance through the exchange beginning in 2014. To accompany this demand analysis—and better inform the Commonwealth of the state's specific health, economic, and insurance needs—the following projects are expected to be completed by research consultants procured by the Commonwealth.

#### **1. Pennsylvania Current Insurance Market Analysis:**

The Commonwealth plans to work with research consultants to develop a comprehensive two-part research report on the Pennsylvania insurance market, including specific information on the individual, small, and large group markets. Ideally, the first part of the report will describe current regulations and characteristics associated with each of the market segments as well as analyze the current level of health insurance competition in the state. It is expected to provide the Commonwealth with details of where and how insurance is currently being purchased in each of the markets and what products are most commonly bought. Information on rating practices, current premiums, and out-of-pocket member share amounts will also be sought for each of the market segments.

The second part of the report is anticipated to analyze how the current insurance market will be impacted by the development of an exchange and other health insurance reform provisions in 2014. Some potential research questions include, but are not limited to:

- How will Essential Health Benefits (EHB) requirements impact insurance products bought and sold in the Pennsylvania insurance market?
- How will the establishment of rating bands and rating limits impact the premiums of healthy consumers in the individual and small group markets?
- How will —“guaranteed issue” impact small and large insurance carriers in the current market?

**2. Socioeconomic Analysis of Potential Exchange Consumers:**

To better understand the health and economic needs of those who will be potentially purchasing insurance through the exchange, the Commonwealth plans to procure research consultants to complete an analysis of the current demographic, economic, and health status of the uninsured, individual, and small group markets.

Potential research questions to be answered in this analysis include, but are not limited to:

- What is the demographic, economic and health status of persons in the individual vs. small group market?
- What is the current health status of the uninsured in Pennsylvania? Where are they currently receiving care?
- What occupation sectors have the largest number of uninsured? Which geographic areas have the largest number of uninsured?
- How many consumers purchasing insurance through the exchange will qualify for premium and cost-sharing subsidies or the Medical Assistance and CHIP programs? What is the demographic breakdown of these groups?

Both of these research projects will be completed as part of the Exchange Planning Grant process and will be paid for with Exchange Planning Grant funds.

Additional research specific to the other exchange establishment core areas is outlined in the respective sections. Other research needs may arise during the planning, development, and establishment process and will take place on a priority basis. As part of an ongoing effort, Pennsylvania plans to continue to research specific exchange processes, systems, and ideas developed by other states, particularly Early Innovator Grantees, as well as in the private sector.

***Stakeholder Consultation***

Feedback gathered from initial stakeholder meetings provided PID with a general direction for exchange development as well as an understanding of how exchanges are perceived by the public. The Commonwealth’s goal for this next phase of exchange planning, development, and establishment is to obtain specific feedback from targeted groups. The Commonwealth is planning to engage in the following projects during the cooperative agreement cycle:

**1. Advisory Groups:**

Using Level I Cooperative Agreement funds, the Commonwealth plans to convene advisory groups to consult with and elicit comprehensive feedback during the exchange planning and development process. These advisory groups should allow PID and DPW to consider and potentially utilize the expertise of Pennsylvania stakeholders as it makes decisions regarding a state-based exchange.

The following list represents examples of possible advisory groups that may be convened during the planning and development process; however, these groups may be modified or additional groups may be formed as research is completed and new areas of need arise. Final decisions regarding advisory group formation and use will be based on appropriate need as perceived by the Commonwealth.

ADVISORY GROUPS	POTENTIAL TASKS/QUESTIONS	POTENTIAL MEMBERS
Administrative Simplification	1. Develop standards, including uniform use of terms, to make explanation of benefits statements more	<ul style="list-style-type: none"> <li>• Insurance carriers</li> <li>• Representatives with billing and payment experience from a variety of</li> </ul>

	<p>understandable.</p> <ol style="list-style-type: none"> <li>2. Create a more efficient coordination of benefits process.</li> <li>3. Establish a preauthorization process that is more real-time and meaningful.</li> <li>4. Select a national standard for insurance benefit swipe cards and recommend ways to accelerate its use among insurers and providers.</li> </ol>	<p>hospital providers</p> <ul style="list-style-type: none"> <li>• A physician representative</li> <li>• A health care clinic representative</li> <li>• A person from the state's Medical Assistance program with billing and payment system experience</li> <li>• A community advocacy representative</li> <li>• A representative familiar with the development of national standards for card-swipe technology for insurance cards</li> </ul>
<p>Public Program Integration</p>	<ol style="list-style-type: none"> <li>1. Develop an effective plan for education and outreach.</li> <li>2. How will public program eligibility and enrollment be handled in an exchange?</li> <li>3. Are there cost effective utilization strategies the state should undertake as part of health care reform?</li> </ol>	<ul style="list-style-type: none"> <li>• A person from the state's Medical Assistance program with education and outreach experience</li> <li>• A community advocacy representative</li> <li>• A physician representative</li> <li>• A health care clinic representative</li> <li>• One or two representatives from private insurance carriers with utilization strategy experience</li> <li>• Consumer marketing, outreach and education consultants</li> </ul>
<p>Wellness and Healthy Behaviors</p>	<ol style="list-style-type: none"> <li>1. How much do wellness programs and incentives affect short-term and long-term insurance costs in the individual, small group, large group, and self-insured markets?</li> <li>2. Why don't all insurers use wellness incentives such as reduced premiums or deductibles, copayments, or coinsurance to the full extent allowed by federal law (20% differential) for enrollees who reach wellness goals and maintain healthy lifestyles?</li> <li>3. What can be done to more effectively promote healthy behaviors and wellness?</li> <li>4. How can disease management and compliance be improved?</li> </ol>	<ul style="list-style-type: none"> <li>• Insurance carriers</li> <li>• A representative of the state employee health plan</li> <li>• Representatives of small and large employers</li> <li>• A state public health representative</li> <li>• Health care providers</li> <li>• A representative from the pharmaceutical manufacturer's industry</li> <li>• A community advocacy representative</li> <li>• Representatives from the business community</li> </ul>
<p>Enhancing Quality Outcomes</p>	<ol style="list-style-type: none"> <li>1. Is there value in initiating a broad-based demonstration project among health care stakeholders aimed at realigning incentives to promote and reward enhanced quality outcomes?</li> <li>2. Consider how to develop consensus for best practices and quality measures.</li> <li>3. Establish recommendations for accelerating the acceptance and use of</li> </ol>	<ul style="list-style-type: none"> <li>• All health care insurers in the market</li> <li>• A representative of the state employee health plan</li> <li>• Representative from state Medical Assistance Program</li> <li>• Employers</li> <li>• Hospitals</li> <li>• Non-hospital providers</li> </ul>

	industry best practices and quality measures.	
Exchange Access	<ol style="list-style-type: none"> <li>1. What is/should be the role of Navigators?</li> <li>2. What is/should be the role of Producers?</li> <li>3. What sort of licensure/certification should be required?</li> <li>4. How will conflicts of interest be managed?</li> <li>5. How should Navigators, customer service employees, and others related to exchange access be trained?</li> <li>6. How should communications be developed to ensure maximum exchange access?</li> </ol>	<ul style="list-style-type: none"> <li>• Insurance carriers</li> <li>• Broker representatives</li> <li>• Community advocates</li> </ul>
Information Infrastructure	<ol style="list-style-type: none"> <li>1. What is the value in the availability and use of risk-adjusted episodes of care data?</li> <li>2. What can be done to accelerate the use and exchange of electronic health records?</li> <li>3. What is the value in establishing an all-payer claims database?</li> <li>4. What is the value in establishing a clinical health information exchange?</li> </ol>	<p>Members should include users of health data, including:</p> <ul style="list-style-type: none"> <li>• Hospitals</li> <li>• Non-hospital providers</li> <li>• Clinics</li> <li>• Insurance carriers</li> <li>• Patients</li> <li>• eHealth Collaborative</li> <li>• PHC4</li> </ul>
Insurance Market Reforms and Risk Adjustment	<ol style="list-style-type: none"> <li>1. What would be the most effective method of risk adjustment and premium allocation among insurance carriers participating in an exchange?</li> <li>2. Should the state implement a defined contribution market?</li> <li>3. If so, how would the risk adjuster mechanism need to be structured to provide a greater variety of plan choices in the defined contribution market?</li> </ol>	<ul style="list-style-type: none"> <li>• Large self-insured employers</li> <li>• Large employers insured by state-regulated health plans or with the assistance of third-party administrators</li> <li>• State regulated health insurers</li> <li>• Representatives of the broker/producer community</li> <li>• A community advocacy representative with experience in risk management or insurance</li> </ul>

**2. Advisory Group Liaisons:**

Because PID and DPW have limited staff and resources to devote to exchange planning and development at this time, it plans to hire third-party contractors to manage the stakeholder consultation process. The contractors would be responsible for 1) ensuring that all stakeholders have an opportunity to be heard and fairly considered; and 2) ensuring the advisory groups’ findings are presented to the Commonwealth. At this time the Commonwealth envisions utilizing the services of two contractors in this process; an exchange process specialist to assist in forming appropriate advisory groups, members, and information; and a local focus group leader to act as advisory group liaison to conduct and manage the advisory group meetings.

Tasks to be completed by the exchange process specialist include, but are not limited to:

- Assist the Commonwealth to finalize advisory group topics, tasks/questions, and members
- Prepare information on exchanges, HHS regulations, advisory group topics, etc. to be used by the advisory group liaison
- Provide assistance to the advisory group liaison as needed

This project will be completed as part of the Exchange Planning Grant process and will be paid for with Exchange Planning Grant funds.

Tasks to be completed by the advisory group liaison include, but are not limited to:

- Develop a meeting schedule for stakeholder advisory groups
- Assist the Commonwealth to develop agendas, notices, etc., to be posted in accordance with open and public meetings laws
- Secure appropriate venues for meetings (public or private)
- Attend advisory group meetings, take notes, and prepare minutes of advisory group meetings that will be posted for the public
- Provide recording (and back-up recording) equipment for each meeting and provide written summaries of the meetings to be posted on PID's Web site
- Provide the Exchange Team with periodic updates on meetings
- Develop meeting notes into full reports and recommendations:
  - Prepare draft reports to send to stakeholders to ensure findings have been accurately captured
  - Prepare final reports, including findings and recommendations from each group

### **3. Consumer Marketing, Outreach and Education:**

As preliminary decisions regarding exchange development and build are made, the Commonwealth will begin to analyze how best to conduct consumer marketing, outreach and education. Specific efforts will likely be organized at both a state-wide and region-specific level. PID plans to continually update its existing Web site to provide information and reflect outreach activities. Target participants potentially include individual consumers, small-businesses, and other public and private community representatives. More information on these activities is provided in the "Providing Assistance to Individuals and Small Businesses" section.

No federally-recognized Indian tribal governments reside within the Commonwealth of Pennsylvania.

#### ***Legislative and Regulatory Action***

To enable the establishment of a health insurance exchange in Pennsylvania, PID anticipates that legislation will be proposed to the General Assembly. PID has outlined the steps needed for legislation to proceed through the process and become a law. It is hoped the legislation will be passed in early 2012.

PID and DPW plan to continue to use internal legal counsel to determine the regulations and/or contractual arrangements unique to an exchange that are necessary to set up and operate a state health insurance exchange. Outside legal counsel may be retained if determined necessary. The Commonwealth will also continue to monitor the legislative and regulatory actions of other states as well as review any further regulatory guidance from HHS. Efforts will be made to establish regulations that prevent adverse selection inside and outside of an exchange.

#### ***Governance***

PID will submit initial plans for an exchange governance structure to the Governor for review. Following that review, a proposed governance structure will be outlined in the draft legislation put forward to the General

Assembly. As legislation is passed, PID and DPW plan to begin finalizing decisions regarding an exchange governance design and structure, including staffing needs, equipment, and possible advisory committees. Specific tasks that will inform this process may include:

**1. Governance Structure Financial Analysis:**

The Commonwealth plans to hire financial consultants to complete an analysis of the possible operating costs and needed resources associated with the selected governance model.

**2. Governance Structure Planning Analysis:**

Planning consultants may be utilized to help the Commonwealth analyze the lines of organization and levels of interaction needed by other state agencies impacted by an exchange and document decisions made by the Commonwealth regarding the appropriate arrangements. If determined appropriate, consultants could also help the Commonwealth develop a process for appointing members to advisory committees that promote public accountability, transparency, and the avoidance of conflicts of interest.

As decisions regarding the governance structure are made, the Commonwealth plans to determine and begin the necessary approval and authorization process required by the state to establish an exchange governance structure, including developing a formal operating charter or bylaws that are consistent with state and federal requirements, acquiring office space, appointing advisory committee members, hiring new staff, or purchasing furniture and equipment as determined necessary or appropriate. Planning consultants and/or outside legal counsel may be used as determined appropriate.

***Program Integration***

Consultants engaged during the planning phase provided the Commonwealth with an initial assessment of how a state-based exchange can be successfully integrated with necessary state and federal programs. Using this analysis as a base, PID and DPW will work to develop a comprehensive plan to integrate necessary programs to efficiently and effectively operate an exchange. Using Level I Cooperative Agreement funds, the Commonwealth plans to engage in the following projects:

**1. Multi-Agency Workgroup:**

While PID has held preliminary discussions with other state agencies impacted by the establishment of an exchange, it now plans to create a multi-agency workgroup consisting of personnel from other state agencies, which will be responsible for reviewing and informing the high-level policy decisions relating to coordinating exchange activities across programs and agencies. The purpose of this workgroup will be to engage other agencies in a more formal and consistent way. With the assistance of consultants as needed, it is anticipated that the workgroup will work to develop and finalize a program integration plan for an exchange. If determined appropriate, the workgroup will create and formalize memorandums of agreements with respect to roles and responsibilities of each agency in exchange development and operations.

**2. Medical Assistance & CHIP and Insurance Workgroups:**

Because the Insurance Department (the state insurance regulator as well as the agency that houses PA CHIP) and DPW (the state Medicaid agency) are the agencies most affected by exchange development, the Commonwealth plans to establish formal workgroups consisting of personnel from these state agencies to address issues related to each of these areas.

The Insurance Workgroup will work with consultants to address areas including, but not limited to:

- Developing regulations and policies that mitigate adverse selection within and outside of an exchange marketplace and establish other necessary insurance-related market reforms
- Developing and evaluating possible criteria and processes for certification of QHPs
- Evaluating the Federal quality rating system developed by HHS and developing and evaluating possible criteria and processes for assigning quality ratings
- Evaluating and developing requirements for systems and program operations related to requests for exemptions from the individual responsibility requirement and payment
- Developing business processes and operational plans for appeals functions
- Evaluating and developing requirements for systems and program operations related to notifying employers of their liability for the employer responsibility payment
- Planning for development of a risk adjustment program as well as developing and evaluating possible criteria and processes for risk adjustment and reinsurance
- Research issues such as defined contribution, administrative simplification, employee dumping, and tax credit considerations

The Medical Assistance & CHIP Workgroup will work with consultants to address areas including, but not limited to:

- Medical Assistance and CHIP eligibility screening
- Eligibility determinations for the advance payment of premium tax credits, cost-sharing reductions, and other applicable state health subsidy programs, including how best to integrate existing eligibility determination systems with the exchange
- Eligibility verification, including cost-effective verification with external data sources of all information in applications for Medical Assistance and CHIP that affect eligibility determinations
- Enrollment in Medical Assistance and CHIP
- Expanding —express lane” processes as appropriate
- Developing strategies for compliance with the —no wrong door” policy and mitigating —burn” among the Medical Assistance, CHIP, and subsidy eligible populations.

### **3. Program Integration Gap Analysis:**

The Commonwealth plans to hire process integration consultants to perform an in-depth analysis of the state’s current processes and programs that will be impacted by the establishment of an exchange. It will assess the existing capacity and capabilities of these processes and programs to determine if they can be leveraged for exchange use in their current form, whether and how they may need to be modified, or if it may be more cost-effective to develop new processes. Consultants may be expected to specifically itemize which processes can be utilized in exchange systems development and operational procedures, such as eligibility and enrollment. Consultants may also provide recommendations on the most cost-effective ways to manage the population with incomes between 133% - 200% FPL who will frequently transition between being eligible for Medical Assistance and exchange subsidies.

### **4. Program Integration Planning Analysis:**

The Commonwealth is also considering hiring planning consultants to work with the Exchange Team to analyze the implications of various levels of collaboration, coordination, and integration of a health insurance exchange with other state health and human services programs and document decisions regarding the appropriate arrangements determined to be best by PID, DPW, and other state agencies. For example, consultants might consider how the state could consolidate and align similar administrative functions across state health and human service programs and whether cross-agency representation in exchange governance is appropriate. Consultants would also document how best to delineate roles and responsibilities of impacted agencies in the exchange planning, development, build, and operations process.

**Exchange IT Systems**

Using Level I Cooperative Agreement funds, the Commonwealth plans to engage in the following projects related to exchange IT Systems planning, development, and build:

**1. Establish an IT Workgroup:**

As currently planned, this team—consisting of personnel from appropriate state agencies and with the support of consultants—would be anticipated to review existing IT gap analyses, work with consultants to develop an initial exchange infrastructure plan, develop technology vendor procurement documents), and oversee the work being conducted by the IT Systems Integrator Consultant, Technology Vendor, and other consultants and workgroups involved with IT systems. In addition to reviewing the state’s existing technology, the workgroup would review progress being made by the Early Innovator States and in the private sector to identify technical components, design principles, and IT readiness elements the state could leverage or adapt for its own exchange (this would involve some team members traveling to selected states). The Commonwealth is particularly interested in the ideas being developed by Wisconsin. The team will also examine the possibility of the state working with private companies to operate technical and other appropriate components of an exchange. The IT Workgroup may also work with stakeholder advisory groups and state workgroups to ensure that appropriate program integration strategies are included in the IT Systems plan.

**2. Select an IT Systems Integrator Consultant:**

The Commonwealth plans to hire an IT Systems Integrator Consultant with expertise and direct experience in the health care industry and/or exchange development. The IT Systems Integrator Consultant should be familiar with Web-based adoption of health plan options, rate setting, and eligibility and enrollment systems as well as have a history of working with state governments. The Commonwealth feels that the use of IT Systems Integrator Consultants best positions the state to establish an exchange that builds on existing technologies and meets needs of its residents and the objectives of the state within federal timeframes.

Possible tasks and outcome goals associated with this project are outlined in the table below. Additional tasks may be added as the planning process continues and preliminary decisions are made:

Exchange IT Systems Development	
Preliminary Planning	Provide initial recommendations for the operation and administration of an exchange and ways in which IT can be used to meet the needs of consumers and small businesses
	Complete a detailed exchange IT gap analysis, building on the analyses completed by KPMG and Navigant
	Provide descriptions, cost estimates, and preliminary functional requirements for how each IT core area and minimum IT exchange function can be rendered operational
	Analyze and present strategies for IT systems development, including a long-term costs/benefit analysis of leveraging public/private partnerships; using commercial, off-the-shelf products; or adapting systems developed by other states—review product feasibility, viability, and alignment with exchange programs
Review of Guidance and Standards	Assist the IT Workgroup/IT Staff in assessing the applicability of the systems models developed by Early Innovator States and in the private sector (including traveling to selected states if determined appropriate)
	Review and apply all appropriate federal IT guidance and standards, such as:

	<ul style="list-style-type: none"> <li>• Federal Information Processing Standards (FIPS) standards</li> <li>• The National Information Exchange Model (NIEM) standards</li> <li>• Federal and state accessibility regulations, standards for HIPAA compliance, and other joint technical standards</li> <li>• CMS Guidance for Exchange and Medicaid Information Technology Systems, Version 2.0 and future versions</li> <li>• Usability features recommended for eligibility and enrollment systems</li> </ul> <p>Review and incorporate “Key Principles of Exchange IT Capabilities” as described in Appendix D of the Cooperative Agreement</p> <p>Complete a security risk assessment and release plan</p>
<p>Program Integration</p>	<p>Analyze and present strategies for systems integration with Medical Assistance and other appropriate state agencies, including the costs/benefits of using an independent application, an enhancement to existing functionality, or some other solution</p> <p>Develop possible strategies for connecting with state health information exchange initiatives to improve efficiency, quality, and consumer choice/satisfaction</p> <p>Complete preliminary business requirements and develop an IT architectural and integration framework</p>
<p>IT Systems Development</p>	<p>Develop a technical roadmap, resource planning, and high-level technical approach for exchange design and development—include a detailed design and system requirements documentation, ensuring that the “Core Exchange Functions supported by IT” are addressed</p> <p>Complete an SDLC implementation plan</p> <p>Develop an IT Evaluation Plan based on the SDLC framework</p> <p>Complete preliminary design and system requirements documentation</p> <p>Ensure a modular, flexible approach to systems development, including the use of open interfaces and exposed application programming interfaces; the separation of business rules from core programming; and the availability of business rules in both human and machine readable formats</p> <p>Work with Medical Assistance &amp; CHIP and Insurance Workgroups to ensure that all technical processes accurately reflect their final recommendations and policy decisions</p> <p>If determined necessary, assist the Commonwealth to develop justifications for why certain technologies were or were not utilized in the exchange build</p>

**3. Procure the Services of IT Staff through the IT Staff Augmentation contract:**

The Commonwealth also plans to procure the services of three IT staff positions through the state’s IT Staff Augmentation contract. This staff will assist in the exchange IT systems planning and development and oversee the exchange build and implementation. They will work with the IT Workgroup, IT Systems Integrator Consultant, and Technology Vendor to ensure that the state develops technical processes and systems that enhance and interact with Pennsylvania’s existing technologies to support exchange operations and/or utilize technologies developed by other states or in the private sector to the greatest extent possible. The three positions include:

**IT Project Manager** – Responsibilities may include, but are not limited to, advising and assisting on the day to day operations of exchange development and implementation; defining the technical goals and business processes associated with the exchange; and working closely with technology consultants and vendors, state agency directors, and other IT managers to optimize exchange development for time, cost, quality and predictability.

**IT Product Specialist** – Responsibilities may include, but are not limited to, reviewing exchange product design, suggesting enhancements, and overseeing development to ensure marketability of IT products related to exchange development and implementation.

**Quality Assurance Specialist** – Responsibilities may include, but are not limited to, performing internal supplemental audits to verify products, processes, and systems are in conformance with applicable state and federal regulatory requirements; ensuring systems used are properly maintained; and notifying management of quality/compliance trends and service failures.

#### **4. Issue a Technology Vendor RFI:**

The purpose of this RFI would be to help PID and DPW better understand what existing technologies are available to facilitate the required functions of a health insurance exchange that serves the individual and small group health insurance markets. The Commonwealth plans on holding half-hour to one-hour vendor demonstrations to allow interested vendors to showcase their product/service offerings and demonstrate how these technologies can enhance and interact with Pennsylvania's existing IT systems. The Commonwealth plans to set strict requirements for the vendors to narrow down the list to those who are actually capable of creating a complex exchange infrastructure.

#### **5. Procure the Services of a Technology Vendor Using Standard State Procurement Processes:**

After the IT Workgroup and IT Staff have reviewed the capabilities and technologies of existing IT vendors through the vendor demonstrations, the Commonwealth plans to procure the services of a technology vendor using standard state procurement processes. It is expected this vendor would begin building the technical infrastructure for an exchange by enhancing Pennsylvania's existing technologies to support and interact with exchange operations and/or utilizing technologies developed by other states or in the private sector. The IT vendor is anticipated to work to ensure that the appropriate "Core Exchange Functions supported by IT" are addressed and state-specific requirements are included. The Commonwealth plans to work with the vendor on finalizing exchange design and initiating exchange build.

Major tasks and objectives of this process may include, but are not limited to:

- Finalize IT and integration architecture and begin initiating exchange build
- Complete final requirements documentation (including systems design, interface control, data management, and database design)
- Complete preliminary and interim development of baseline systems and review, ensuring compliance with business and design requirements
- Work with the consumer marketing contractor to create the written copy, wireframes, look, and feel of the Web site Complete final development of baseline systems including software, hardware, interfaces, code reviews, and unit-level testing
- Begin and complete testing of all systems components including data, interfaces, performance, security, and infrastructure as appropriate
- Prepare for the launch of a state-based exchange

Specific tasks and milestones related to the exchange build are outlined in the Work Plan and Budget Narrative. Building of the technical infrastructure of an exchange may begin during this phase of exchange planning and development, but major tasks are scheduled to be completed after the official one-year grant period has passed.

## ***Financial Management***

Consultants engaged during the planning phase provided the Commonwealth with a review of ACA and HHS regulatory guidance on exchange financial management to date; a qualitative summary of potential funding sources; and emerging practices from other states. The Commonwealth plans to use Level I Cooperative Agreement funds to hire consultants to complete two financial management-related tasks that will allow the Commonwealth to make final decisions regarding the financial management of an exchange:

### **1. Environmental Scan of Existing Systems:**

Assisted by process integration consultants, the Commonwealth plans to perform an environmental scan of existing state accounting systems, internal controls, financial reporting systems, and financial oversight processes to determine if current staff and infrastructure can be used for exchange financial accounting and reporting systems. At this time it is expected this scan will itemize which existing processes could be used by the exchange to establish a financial management structure and accounting system that adheres to generally accepted accounting requirements and ensures sound financial management of exchange funds. It may assess the existing capacity and capabilities of these programs and processes to determine if they can be leveraged for the exchange in their current form, whether and how they may need to be modified, or if it may be more cost-effective to develop new processes. If determined necessary, consultants may assist the Commonwealth to develop and implement a business and operations plan for the financial management of an exchange.

### **2. Analysis of Expected Costs and Revenues:**

To help the Commonwealth determine the scope of activities necessary for the financial management of an exchange, financial consultants would be expected to provide PID and DPW with a detailed analysis of operating costs, enrollment estimates, and other cost drivers related to exchange development and operation. They would develop draft budgets with projected revenues and expenses over a five-year period beginning in 2014. As part of this projection, consultants might conduct an actuarial analysis of potential revenue collected through various funding sources, from which they can recommend levels of funding required to make the exchange self-sustaining by January 2015 as well as methods to assess and collect exchange revenues.

From these analyses, the Commonwealth hopes to gain the information needed to determine the necessary staff and resources to perform the financial accounting and reporting for the exchange. Possible decision points include whether additional budget managers or CFOs will need to be hired as well as what additional or new accounting hardware and software should be purchased. It is expected that consultants will assist PID and DPW to develop and implement a plan to ensure sufficient resources to support ongoing operations of an exchange. Using this information, the Commonwealth will establish a financial management structure and, if determined appropriate, hire experienced accountants to support financial management activities of an exchange.

In addition to these activities, the Commonwealth will continue to monitor the development of the financial management infrastructure in Early Innovator States, in states that are further along in the exchange planning, development, and build process, and in the private sector.

## ***Oversight and Program Integrity***

It is the Commonwealth's policy to serve as an accountable steward of taxpayer dollars as well as maintain law and order. Ensuring program integrity is integral to both of these important responsibilities as well as to the success of an exchange. In this next phase of exchange planning, development, and establishment, the Commonwealth plans to make certain considerations regarding program integrity and oversight, including development of continuous monitoring activities for eligibility determinations and financial transactions. The

Commonwealth plans to use consultants to assist with the development and implementation of its program integrity plan that ensures that exchange activities comply with appropriate federal and state requirements.

Tasks and outcome goals associated with this project include:

**1. Appropriate Levels of Financial Oversight:**

The Commonwealth plans to use consultants to help determine appropriate levels of financial oversight and control to ensure maximum program integrity for exchange operations, including how exchange revenues should be assessed and collected. This analysis would include identifying practices necessary for both the start-up phase and operating phase of an exchange.

**2. Environmental Scan of Existing State Program Integrity Systems:**

The Commonwealth plans to hire process integration consultants to perform an environmental scan of existing state program integrity systems, specifically those related to preventing fraud, waste, and abuse. This analysis would evaluate whether existing systems can be leveraged for a state-based exchange. Consultants can determine whether and how these programs and processes may need to be modified, or if it may be more cost-effective to develop new processes. Consultants may assist the Commonwealth to develop and implement a business and operations plan for exchange oversight and program integrity systems. With respect to annual audits (financial statement audits or other audits required by the ACA) the current Commonwealth regulation gives the State Auditor General the “first right of refusal” to perform any statutorily required audit.”

**3. Grant Manager:**

The Commonwealth is also considering hiring a Grant Manager to complete all federal grant administration tracking and reporting requirements for all activities related to this cooperative agreement. The Grant Manager would also document progress against key milestones outlined in the Work Plan and Evaluation Plan, helping the Project Director ensure that all cooperative agreement activities are accounted for and on track for timely completion. At this time, it is expected planning consultants will assist PID and DPW to develop evaluation measures for the non-IT components of an exchange project and advise on how to implement these measures.

***Health Insurance Market Reforms***

It is the Commonwealth’s plan to assure that all necessary health insurance market reforms are implemented for the exchange to be certified. It plans to monitor legal requirements for a state-based exchange. It also intends to consider the impact of current state and federal insurance laws on state-based exchanges, and consider the impact of a state-based exchange on the enforcement of state insurance laws. The assistance of consultants or outside legal counsel may be used in this analysis. In addition, there will be a variety of contractual arrangements unique to an exchange, such as participation by QHPs and transfer of funds from the exchange to/from QHPs and among QHPs under risk arrangements that will need to be determined and developed. This task will likely require the services of outside legal counsel.

Pennsylvania also plans to continue to take any appropriate actions to reconcile state and federal law specifically related to insurance market reforms, including developing regulations and drafting legislation if determined necessary. For example, proposed legislation to establish an effective state rate review program was passed late 2011, giving the state the authority to review, and if necessary, disapprove rate increases over 10%. The legislation was the result of a collaborative process between government, small business consumers, and the insurance industry and exemplifies the type of practical and collaborative process the state will use as it works to establish an exchange and other necessary health insurance market reforms. Pennsylvania’s rate review program for the individual market was previously approved, but amendments were needed to ensure the review program for the small group market met federal standards.

Further guidance from HHS on how to demonstrate enforcement of ACA-mandated consumer protections is pending. Once released, the Commonwealth plans to take reasonable steps to demonstrate efforts in this area.

### ***Providing Assistance to Individuals and Small Businesses, Coverage Appeals, and Complaints***

Exchanges are required to provide certain services to state residents, including responding to requests for informational assistance, providing a toll-free telephone hotline, helping individuals learn whether they are eligible for Medicaid, CHIP, or other applicable state health subsidy programs, facilitating the enrollment process where applicable, offering assistance to individuals, and providing coverage appeals. The Commonwealth plans to begin developing a comprehensive consumer assistance plan by using Level I Cooperative Agreement funds for the following two projects:

#### **1. Environmental Scan of Current Consumer Assistance Programs and Analysis of Consumer Assistance Data:**

Because Pennsylvania already has several established consumer assistance programs, the Commonwealth plans to use process integration consultants to perform an environmental scan of existing consumer assistance programs/call centers and evaluate what changes may need to be made to incorporate exchange functions. Consultants should determine if existing programs or marketing communication efforts can be leveraged for the exchange in their current form, whether and how they may need to be modified, or if it may be more cost-effective to develop new programs. The Commonwealth also plans to evaluate changes being made with other federal grant funds and determine if it is possible to coordinate efforts. For example, PID was awarded a Consumer Assistance Program Grant from HHS. Activities performed under this grant will be included in the environment scan and considered in the exchange planning, development, and establishment process.

In addition to the environmental scan, consultants may also analyze data collected by consumer assistance programs and determine the ability to leverage the data for exchange activity as well as report on possible plans for using the data to strengthen QHP accountability and exchange functioning.

An environmental scan of existing consumer assistance programs would allow PID and DPW to determine what consumer assistance functions are needed for the exchange, what protocols may be necessary, and how information will be collected and transferred from the exchange to contracting entities or existing agencies performing the consumer assistance functions. This analysis will hopefully allow the Commonwealth to better determine whether to operate consumer assistance functions within the exchange. If it chooses to operate these functions within the exchange it will begin working to establish protocols for appeals of coverage determinations and draft the scope for work for building capacity to handle coverage appeals functions as determined appropriate. Consultants will assist the Commonwealth to develop and implement a business and operations plan for exchange consumer assistance programs/call centers.

#### **2. Consumer Marketing, Outreach and Education:**

As exchange planning evolves and preliminary decisions regarding exchange development and build are made, the Commonwealth plans to begin to analyze how best to conduct consumer marketing, outreach and education. Specific efforts will likely be organized at both a state-wide and region-specific level. In terms of providing general assistance to individuals and small businesses, the Commonwealth plans to use socioeconomic research outlined in the —Background Research” section to help determine geographic and demographic target areas for concentrated consumer assistance. The Commonwealth can then begin to identify what community groups exist in those areas and assess their potential to be consumers outreach partners.

The Commonwealth also plans to assess what role brokers and entities qualified to serve as Navigators may play in the consumer assistance plan by conducting preliminary planning activities related to the Navigator program,

including developing high-level milestones and timeframes and developing and evaluating possible criteria and processes for the Navigator program. The goal of this process, if determined appropriate, is to determine Navigator grantee organizations and award contracts or grants as appropriate.

In an effort to notify and engage the public, the Commonwealth plans to hire a consultant to research and implement an effective communication plan and strategy to reach its diverse population. Contractors may be utilized to identify, outline, and execute a tailored public awareness campaign.

The ultimate goal is to develop an effective communications plan that will build awareness of an exchange among consumers, both individuals and small employers, along with marketing the benefits of using the exchange. The following phases outline the Commonwealth's preliminary plan for consumer marketing, outreach and education activities.

Phase 1 – Preliminary stakeholder/advisory group meetings

Phase 2 – Begin analyzing how best to conduct consumer education and outreach and determine which outreach and education activities, target areas, and/or partners to pursue; begin assessing what role brokers and Navigators may play in the consumer assistance plan

Phase 3 – Procure the services of a communications/marketing contractor using standard state procurement processes

Phase 4 – Hire contractor and conduct market research

Phase 5 – Develop marketing, outreach and education plan, create materials, and work on Web site design and copy

Phase 6 – Contractor will launch marketing, outreach and education campaign, including collateral, public service, and media advertisements

Phase 7 – Contractor will conduct user-experience and outreach campaign to promote high participation rates for the exchange

Phase 8 – Evaluate of campaigns and make adjustments

Consumer marketing, outreach and education planning may begin during this phase of the exchange planning and development process, but major tasks are scheduled to be completed after the one-year grant period has passed.

### ***Business Operations of the Exchange***

#### **Planning and Development:**

Specific plans and decisions related to the development of business operations and functions of an exchange will be made once further federal regulatory guidance is provided and the technical infrastructure of Pennsylvania's exchange becomes more defined. Many of the "minimum functions" will be addressed in the exchange IT systems development process. As mentioned in that section, the Commonwealth plans to build off existing infrastructure and resources or leverage public/private partnerships to the greatest extent possible.

It is planned that the IT Workgroup and IT Staff will lead the IT Systems Integrator Consultant, other consultants, and the Insurance, Medical Assistance & CHIP Workgroups in the following tasks specific to planning for the business operations and functions of an exchange:

- Create a flowchart of needed and required exchange functions
- Develop high-level policy goals and policy decisions to be made with respect to specific operations and functions of the individual and small-group exchanges
- Perform an in-depth evaluation of processes and functions that are unique to both the individual and small group markets and determine whether the processes exist or need to be developed
- Perform an environmental scan of existing programs or resources that can be leveraged for exchange business operations
- Work with consultants to develop and implement business and operations plans for each of the exchange functions as determined appropriate

These and other tasks related to the planning and development of exchange business operations and functions are detailed in the sections above and in the Work Plan. In addition to these activities, the Commonwealth will continue to monitor the development of business operations and exchange functions in Early Innovator States, in states that are further along in the exchange planning, development, and build process, and in the private sector.

The Commonwealth plans to hire consultants to assist with the planning and development of specific exchange business operations and functions. At this time it is expected these consultants will include:

### **1. Insurance Process Consultants:**

The Commonwealth plans to hire insurance process consultants to assist the Insurance Workgroup in its evaluation of insurance processes, particularly risk adjustment processes. It is planned that consultants will assist the Commonwealth in generating strategies related to the development of risk adjustment and reinsurance mechanisms, including developing the requirements and processes that will be used to support necessary data collection for risk adjustment, reinsurance and risk corridors; ensure the appropriate analysis of data; and review federal guidance and models to be released by HHS.

Using this information, the Insurance Workgroup is expected to begin planning for the development of a risk adjustment program, including developing and evaluating possible criteria and processes for risk adjustment and reinsurance. The Insurance Workgroup may also work with the IT Systems Integrator Consultant to determine what IT support systems may be necessary. Consultants may also assist with other insurance-related mechanisms as determined necessary.

### **2. Small Business Consultants:**

The Commonwealth plans to hire consultants to assist in planning for and developing strategies and processes specific to the Small Business Health Options Program (SHOP). Responsibilities may include, but are not limited to:

- Highlighting different needs and challenges associated with building a SHOP exchange
- Identifying specific eligibility and enrollment issues relating to a SHOP exchange
- Researching issues such as defined contribution, administrative simplification, employee dumping, and tax credit considerations
- Assessing the possibility of combining the SHOP and AHBE risk pools and evaluating the associated advantages and disadvantages
- Working with small businesses to craft SHOP exchange policies to meet the needs of small businesses
- Working with the producer community and possible Navigators to ensure appropriate services are provided to small group consumers
- Exploring the possibility of large groups entering the exchange and its impact on the insurance market

With the assistance of the IT Systems Integrator Consultant, the small business consultant is expected to:

- Determine the appropriate framework for a Pennsylvania small-business exchange

- Begin evaluating and developing requirements for systems and program operations related SHOP-specific functions
- Examine and determine possible use of available technology

**Establishment:**

Once the operational and technical plans related to exchange business operations and functions are made, the Technology Vendor (overseen by the IT Workgroup and IT Staff) will finalize technical plans related to the business operations and minimum exchange functions and begin building each of the appropriate functions in preparation for launch of a state-based exchange. Specific tasks and milestones related to the build of each of the business operations and exchange functions are outlined in the Work Plan. Building of the technical infrastructure for an exchange may begin during this phase of exchange planning and development, but major tasks are scheduled to be completed after the official one-year grant period has passed.

The table below categorizes the minimum functions of an exchange, as outlined by HHS in the FOA. Workgroups that could be responsible for overseeing the planning, development, and build of each minimum exchange function are also outlined.

Minimum Functions of an Exchange		
Insurance-Related Functions	<ul style="list-style-type: none"> <li>• Certification, recertification, and decertification of QHPs</li> <li>• Quality rating system</li> <li>• Individual responsibility determinations</li> <li>• Adjudication of appeals of eligibility determinations</li> <li>• Notification and appeals of employer liability</li> <li>• Risk adjustment and transitional reinsurance</li> <li>• SHOP exchange-specific functions</li> </ul>	Insurance Workgroup
IT systems	<ul style="list-style-type: none"> <li>• Exchange Web site</li> <li>• Premium tax credit and cost-sharing reduction calculator</li> <li>• Enrollment process</li> <li>• Applications and notices</li> <li>• Administration of premium tax credits and cost-sharing reductions</li> <li>• Information reporting to IRS and enrollees</li> </ul>	IT Workgroup/IT Staff
Outreach, Education, and Customer Service	<ul style="list-style-type: none"> <li>• Customer service or call center</li> <li>• Navigator program</li> <li>• Outreach and education</li> </ul>	Exchange Team
Eligibility	<ul style="list-style-type: none"> <li>• Eligibility determinations for exchange participation, advance payment of premium tax credits, cost-sharing reductions, and Medical Assistance</li> <li>• Seamless eligibility and enrollment process with Medical Assistance and other potentially-included state health programs like CHIP</li> </ul>	Medical Assistance and CHIP Workgroup

## **Summary of Exchange IT Gap Analysis**

A significant amount of exchange IT work will take place during 2012, specifically around the areas of IT Gap Analysis and functional and technical requirements planning. Earlier this year Pennsylvania contracted to have a high-level gap analysis completed of the Commonwealth's current enrollment and eligibility IT systems.

As discussed below, the Commonwealth has several IT assets that can be leveraged and extended to help form the core of an exchange. The following sections describe Pennsylvania's readiness on critical elements as requested in Appendix C of the FOA: Technical Architecture, Applicable Standards, HIPAA, Accessibility, Security, and Federal Information Processing Standards.

### **Technical Architecture**

The technical architecture is critical to supporting the necessary business functions and features of the health insurance exchange. The Commonwealth understands that the technical architecture must be:

- Flexible and utilize a services-based design capable of extending front-end services to stakeholders and back-end services to systems
- Based in open standards such as National Information Exchange Model (NIEM) and WSI, to improve system interoperability and reduce maintenance
- Based on industry best practice design, facilitating the transfer of conceptual design and business rules thereby accelerating adoption by other states
- Secure and adhere to HIPAA guidelines in order to provide a safe, reliable, and private exchange of information

### **Current Technical Architecture**

This section provides a brief overview of the Pennsylvania core IT systems. The Department of Public Welfare's enterprise application infrastructure is built on open systems platforms, products, and protocols.

At a platform level, the Department has standardized on large multiprocessor Wintel platforms that can be dynamically partitioned into a series of 4-CPU, 8-CPU and 16-CPU servers as required by the applications and services that reside there. 64-bit Intel Xeon processors are currently being used with Microsoft Windows Server 2003 Datacenter Edition and Microsoft Windows Server 2008 Datacenter Edition as the standard operating systems. The 64-bit version of Datacenter is used unless a platform hosts a third party product that does not currently have a 64-bit version. The Department also uses VMware ESX Server 3i to "soft partition" large physical servers into smaller logical servers, primarily in the development and test environments.

At a storage level, the Department uses EMC DMX and EMC CLARiiON SANs that provide both high performance and fault tolerance. This approach provides the flexibility to dynamically assign disk storage where it's needed when it's needed. Both SANS utilize a tiered storage architecture (using various disk sizes and speeds), which provides for more cost effective utilization of disk resources.

The Department's applications are designed to leverage an n-tier architecture where the presentation layer, business logic layer, and data access layer are logically segmented to provide enhanced performance and security. Servers supporting a specific function within this n-tiered architecture are either scaled up or scaled out as required to support evolving business requirements. If a scale out approach is used, the workload is distributed across multiple servers using a Cisco ACE hardware load balancer. Internet and Intranet Web applications are separately housed, but share a common database and utility environment. User access to Web applications occurs through the public network (the Internet in the case of the former and the Commonwealth MAN in the case of the latter) while communication between the Web applications and the database and utility servers occurs through a private VLAN in a gigabit Ethernet switch.

From a protocol perspective, every attempt is made to utilize industry standard protocols like TCP/IP. SOAP is used for application to application communication where the applications are housed on heterogeneous systems (Windows and Solaris for example) with XML as a platform independent data format.

The Department also maintains two dedicated Disaster Recovery locations. One of these locations houses a Unisys ClearPath mainframe and Windows servers while the other location houses Windows servers. Application support staff is required to participate in DR planning sessions and to assist in the creation of recovery procedures for their respective applications. This would include packaging the application for deployment at a DR site (just as it's packaged for deployment to TFP and Prod) and verifying that the deployed code is functioning correctly.

The Commonwealth is currently in the process of procuring professional information technology (IT) support and services to:

- Assist DPW business organizations in defining their IT service needs
- Provide application maintenance and operational support services with enhancements, to support DPW's strategic business systems while concurrently providing assistance in promoting and expanding DPW's service adoption strategy
- Integrating, to the maximum extent possible, the IT service needs of PID's CHIP with those of DPW's Medical Assistance Program

Figure 1 provides a schematic of DPW's current systems:

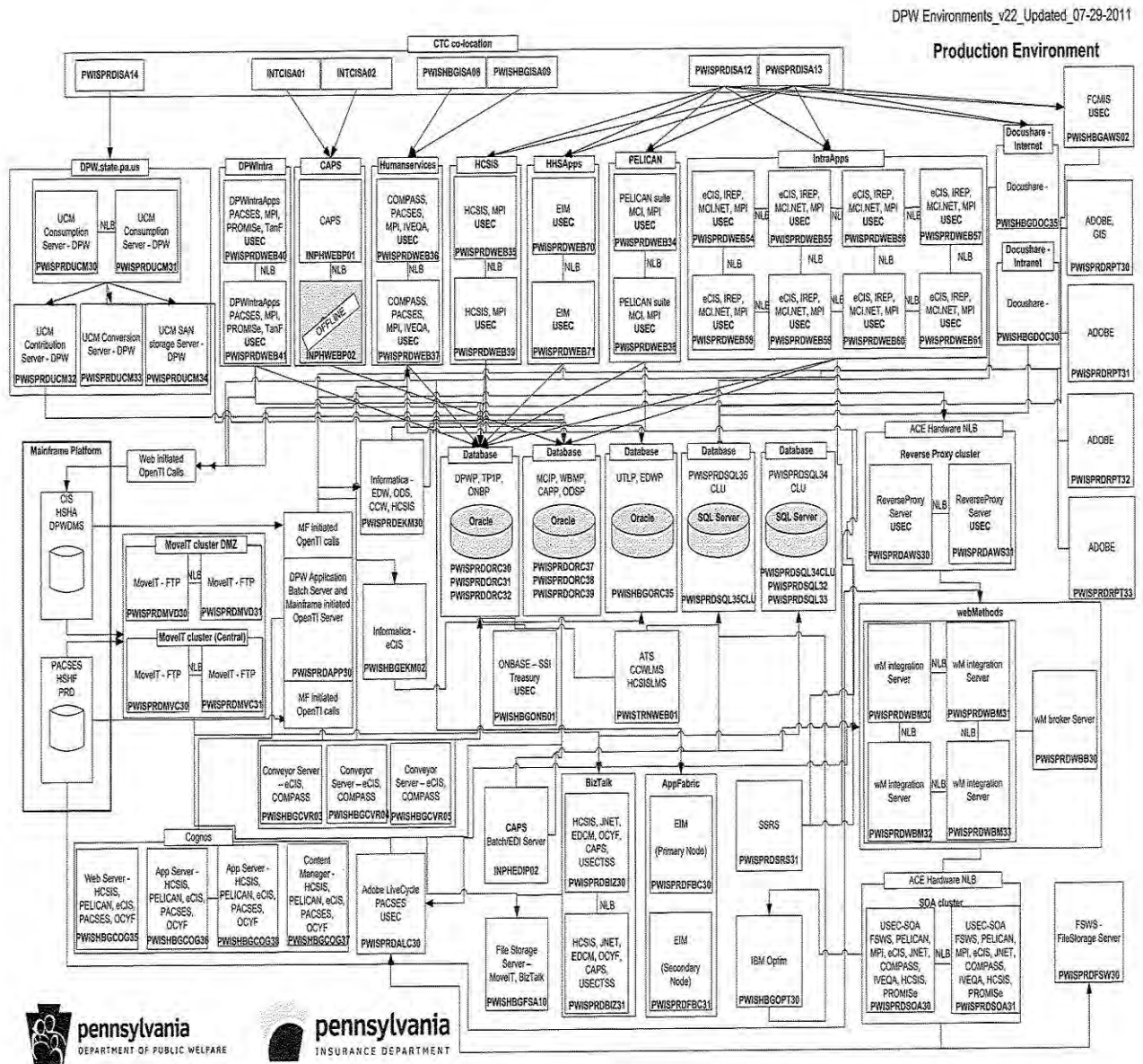


Figure 1

Pennsylvania’s current eligibility and enrollment process includes the following systems:

**COMPASS** (Commonwealth of PA Access to Social Services) – COMPASS is a self-service portal for HHS programs, allowing customers to apply for and manage social service benefits in one place. It is the Department of Public Welfare’s strategic initiative that allows citizens and business partners to be screened and apply online

without knowing all the specifics for the programs they are applying for. COMPASS allows individuals and community-based organizations access to screen for, apply for, and renew a broad range of social programs, including: Healthcare Coverage, Food Stamp Benefits, Cash Assistance, Long-Term Care, Home and Community-Based Services for individuals with intellectual disabilities, and Low-Income Home Energy Assistance Program (Seasonal).

**eCIS** – Web-based front end to CIS that provides staff a single location to perform application processing and case maintenance activities. These new web enabled components are referred to as eCIS.

**CIS** – Mainframe eligibility information system. CIS is used on a daily basis by over 7,000 caseworkers in 67 counties throughout the Commonwealth. The long-term goal for CIS is to convert it from a legacy-based mainframe architecture to a more fluid and robust open systems architecture. The migration from legacy to open system architecture is a staggered development, and has been underway for some time. Throughout the development of CIS, the state has implemented several key changes: Implementation of the Master Client Index (MCI); improved use of COMPASS applications; and the development of an automated Medicaid eligibility system (MEDA). The next step is to apply standard filing rules and data collection Cash and Food Stamps as is done for medical categories from the state’s legacy based system to the open system architecture.

**MCI** – Master Client Index (SOA-based application that acts as a central repository for client demographic data, contains pointers to multiple programs). The Master Client Index is an automated enterprise-wide client identification process that registers and identifies individuals uniquely within DPW. The technical architecture of MCI uses a model that combines a presentation/business tier and a data tier, and provides flexibility for system performance, operating system independence, security, and scalability. Note that the data within the MCI is sometimes duplicated and not tied to any cleansing mechanism. The data integrity within MCI will need to be addressed prior to leveraging it as part of any exchange solution.

**MPI** – Master Provider Index. Central repository of provider profiles and demographics. Uniquely identifies providers doing business with DPW.

**CAPS** – Provides the ability to determine healthcare eligibility, enrollment management, financial obligation management, workload management, application entry, and automated processing for the CHIP program.

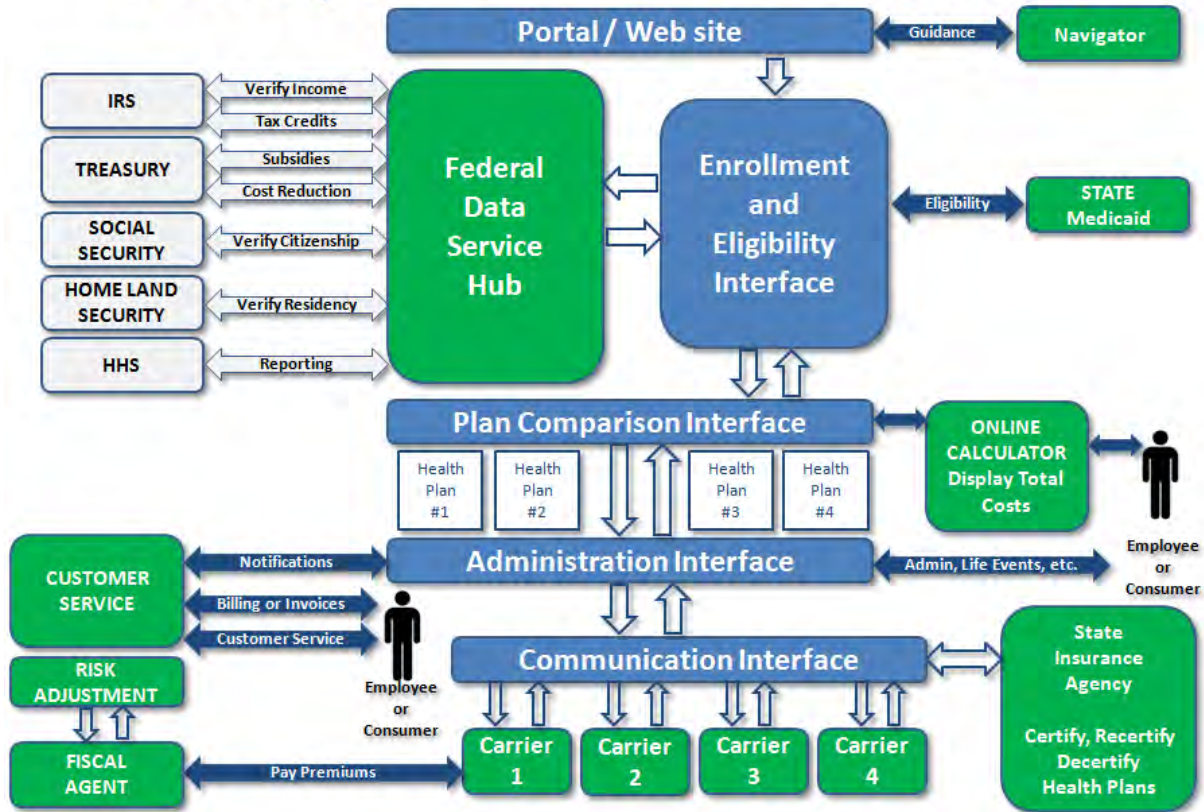
**IEVS** – An automated system developed to provide for the exchange of information between DPW and the Pennsylvania Department of Labor and Industry (DLI), Office of Employment Security (OES), the Social Security Administration (SSA), and the Internal Revenue Service (IRS). Information on the IEVS database is compiled from automated matches with the state and federal sources. These matches are referred to as data exchanges.

Pennsylvania has no existing functional or technical components that would likely be used ~~—s is~~ in any anticipated exchange design. As such, there needs to be a rapid determination if any remediation of IT assets will be able to be undertaken quickly enough to meet the ACA timelines.

### **Exchange IT Mapping**

The Commonwealth recognizes that getting from the current ~~—s is~~ IT environment to the proposed ~~—t be~~ health insurance exchange environment will be a comprehensive process. Pennsylvania has mapped out the core functions of the ~~—t be~~ health insurance exchange environment below.

# Pennsylvania's "to be" Schematic



## Technical Architecture Gap Summary

KPMG performed a high-level gap analysis between the Commonwealth's current IT asset inventory and the functional and technical requirements associated with a basic individual exchange. As Pennsylvania continues in the planning and development process, and further exchange technical requirements are released, this analysis and the associated IT budget may need to be modified to account for remediation and integration tasks associated with leveraging the state's existing IT assets (rather than a simply configuring and building the exchange with third-party solution components). As such, this high-level assessment will probably adjust based on the exchange approach, if any, that the Commonwealth selects.

Note that this is a high-level gap analysis where KPMG assessed existing core Commonwealth systems against known exchange requirements. As the ACA prescribes several new functional capabilities that virtually no state currently has in place, it is not surprising for the Commonwealth to have a high initial gap between these requirements and the functionality of their current systems. A primary purpose of this analysis is to give the Commonwealth a sense of the level of IT/systems implementation effort that will be required once a final decision is made regarding the design and development of Pennsylvania's exchange.

The Commonwealth has several core system components (e.g., applications, tools, services and data interfaces) that are robust and mature enough to contribute to health insurance exchange architecture. In the section below, KPMG noted several areas where the core Commonwealth systems assessed support some of the following areas (in **yellow** highlight) and potentially support others (in **blue** highlight).

**Plan Certification & Risk Management** – KPMG noted **no areas** where the core Commonwealth systems assessed supports any of the following areas:

Plan Certification	Manage Plan Submission Process	Certify / Recertify / Decertify Plan
Form QHP Agreement with Issuer	Manage Issuer and Plan Information	Report Issuer and Plan Information
Assign Plan Quality Rating	Process Change in Plan Enrollment Availability	Manage Rates and Benefits
Monitor Plan Compliance	Administer Transitional Reinsurance	Administer Risk Corridors
Administer Plan Assessments (Surcharges)	Risk Management	Calculate Actuarial Risks
Submit Transparency Information	Manage Plan Certification Business Rules	Manage Plan Certification Workflow Rules

**Premium and Tax Credit Processing** – KPMG noted **no areas** where the core Commonwealth systems assessed supports any of the following areas:

Automated Invoice Generation	Automated Invoice Printing	Capture Payment Information
Automated Premium Reconciliation	Determine Eligibility for Tax Credit	Notify Individual of Tax Credit Eligibility Results
Manage Premium & Tax Credit Processing Business Rules	Manage Premium & Tax Credit Workflow Rules	Identification of Delinquent Accounts
Termination of Delinquent Accounts	Manage Communication Business Rules	Manage Communication Workflow Rules
Calculate Member/Employer Premium Contributions	Collect Employer Premium Contributions	Collect Member Premium Contributions

**Eligibility Assessment**

Process Individual Exemption Renewal Request	Process SHOP Employee Renewal Request	Verify Individual Eligibility of Public Minimum Essential Coverage
Verify Individual Eligibility for Employer - Sponsored Minimum Essential Coverage	Determine Eligibility	Refer Potentially Eligible Individuals to Medical Assistance and CHIP for additional Screening
Determine Eligibility for Advance Premium Tax Credit	Determine Category for Cost-Sharing Reductions	Qualify Individual for an Enrollment Period
Verify Lawful Presence	Verify Household Income	Calculate Federal Poverty Level
Verify Whether Individual is an Indian	Verify Incarceration Status	Verify Individual Residency Status
Verify Information Required for Exemption	Verify SHOP Employer Identity	Verify Employee Roster
Verify SHOP Employee Application	Manage Eligibility Business Rules	Manage Eligibility Workflow Rules
Determine Insurer Eligibility	Receive Employee List and Employer Options	Display Eligibility Rules

**Comparison Shopping** – KPMG noted **no areas** where the core Commonwealth systems assessed support any of the following areas:

Determine Plan Availability and Calculate Plan Cost	Select SHOP Employee QHPs	QHP side-by-side comparison tool
Provide Product Comparison Interface		

**Enrollment Processing**

Process Employer Participation Renewal	Accept SHOP Employer Application	Accept SHOP Employer Application Update
Determine SHOP Employer Contribution	Terminate Employer Participation	Validate Application Submission
Review and Adjudicate Alternative Documentation	Accept Individual Eligibility Application	Accept Individual Eligibility Application Update
Accept Individual Exemption Application	Accept Individual Exemption Application Update	Accept SHOP Employee Application
Accept SHOP Employee Application Update	Select Individual QHPs	Enroll in Medical Assistance, CHIP or BHP
Enroll in SNAP & TANF	Process Individual Eligibility & Enrollment Renewal Request	Assess Current QHP Enrollment Status
Disenroll from QHPs	Store supporting document image	Interface to Billing System
Manage Enrollment Business Rules	Manage Enrollment Workflow Rules	Process Plan Enrollment Availability and Changes
Enable Employer Product Selection	Enable Employer Contribution Selection	Display Employer Liability Rules (content)

**Appeals Management** – KPMG noted no areas where the core Commonwealth systems assessed currently support any of the following areas:

Implement Adjusted Eligibility Determination Resulting from Appeal	Conduct Eligibility Appeal	Conduct SHOP Eligibility Appeal
Conduct Employer Liability appeal	Halt Appeals Processing	Manage Appeals Business Rules
Manage Appeals Workflow Rules		

**Customer Service and Account Management**

Manage Account	Record Inquiry Information	Manage Call Transfer Business Rules
Administer Employer Liability	Manage FAQs	Manage Performance Measures / Measurements
Manage Customer Service & Account Management Business Rules	Manage Customer Service & Account Management Workflow Rules	Receive complaint
Resolve Complaint	Close Complaint	

**Reporting**

Manage Reports	Manage Report Templates	Review Reports (includes report estimate)
Manage Report Schedule	Manage Report Delivery Mechanism	Ad-Hoc Reporting

**Records and Document Management - KPMG noted no areas** where the core Commonwealth systems assessed currently support any of the following areas:

Manage Surveys	Manage Survey Templates	Review Survey (includes survey estimate)
Manage Survey Schedule	Manage Survey Delivery Mechanism	Publish Survey

**General Information Management**

Manage Information Management Business Rules	Manage Information Management Workflow Rules	National Information Exchange Model (NIEM - <a href="http://www.niem.gov/">http://www.niem.gov/</a> )
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**Master Person Index**

Deterministic Matching	Probabilistic Matching	Roles Management
Manage Master Person Index Business Rules	Role-based access control (RBAC)	Multiple roles associated with a User ID
Configuration of role-based access control via a standard GUI.	Disable a User ID if the User has not logged on to the system for a predetermined, administrator configurable period of time	Prevent incompatible roles from being assigned to Users
Uniqueness for all User IDs		

**Knowledge Management – KPMG noted no areas** where the core Commonwealth systems assessed currently support any of the following areas:

Content Management	Store Content	Retrieve Content (Search Features)
Metadata Management	Manage Taxonomy	Tag Content

**Financial Transaction Processing – KPMG noted no areas** where the core Commonwealth systems assessed currently support any of the following areas:

Payment Processing	Manual Settlements	Batch Settlements
Automate Payments Based on Invoice Data	Electronic Funds Transfer	Payment Reconciliation
Manage Financial Transaction Processing Business Rules	Manage Financial Transaction Processing Workflow Rules	Health Insurance Portability and Accountability Act (HIPAA) adopted transaction standards (e.g., ASC X12N 834, ASC X12N 270, ASC

Receipt Processing		
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**Business Process Management**

Alerting and Notification	Create Notification	Update Notification Content
Delete Notification	Manage Notification Rules	Communicate to Issuer [including Medicaid for BHP] Regarding Enrollment in QHPs
Report Enrollment in QHPs	Communicate Individual Eligibility Determination	Report on Individual Exemption Status
Communicate to Employees Regarding Availability of Insurance through SHOP Exchange	Communicate Training Results	Communicate Certification Results
Communicate Compliance Results	Send Notification	Manage Business Rules
Manage Workflow Rules	Document Generation	

**Privacy and Security**

Identity Management	Manage Identity / Access Privileges	Authentication and Access Control
Compliance management	Field level security in accordance with RBAC	Digital Certificates using X.509 standard (or most recent version)
History of security profile assignments for a User.	Automatically log, and disable access to any user accounts following a specified, administrator configurable number of unsuccessful log-on attempts	Prevent concurrent logins for the same User ID unless specifically authorized
Encrypt any passwords stored in the system	Enforce standards for password rules	Utilize encryption algorithms and implementations, in compliance with National Institute of Standards and Technology - Special Publications 800-52, 800-77, or 800-113.  ( <a href="http://csrc.nist.gov/publications/PubsSPs.html">http://csrc.nist.gov/publications/PubsSPs.html</a> )
LDAP compliant authentication service(s) for user authentication	Authorized personnel to view all security audit logs	Host-based Intrusion Prevention and/or Detection software (IPS/IDS)
Prevent, detect, and recover from malicious code		

**Rules Engine**

Rules Catalog	Inference Engine	Event Processing Engine
Modification of business rules via a GUI (Graphical User Interface)	Automated interfaces through a set of APIs (Application Programming Interfaces)	Allow the re-use of the rule-repository and rules-driven technology

**Workflow Engine**

Process Scripting (Business Process Execution Language (BPEL))	Current Status Verification User	Authority Validation
Script Execution		

**Data Management**

Relational database management system (RDBMS)	Referential integrity enforcement	Support data dictionaries with the usage, associated business rule and semantic information on its data elements
Master Data Management functions, including data standardization and duplication.	Data Warehousing	Extract-Transform-Load

**Service Management**

Service Registry and Repository	Service Manager	Enterprise Service Bus
Non-Repudiation	Guaranteed Delivery	

**Unified Communications**

Interactive Voice Response	Fax	Text Messaging
E-mail	Email interface synchronizing calendar & scheduling data	General Unified Communications
Transmit Report / Notification	Manage Communication Business Rules	Manage Communication Workflow Rules

**Exchange Portal**

Web browser based primary interface	Support the use of mobile devices	Multiple views available: Employer, Employee, Consumer, Carrier, Broker, Customer Service Rep, Administrative
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**B2B data Gateways**

SFTP	EDI	Web Services
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The next step for Pennsylvania will be to conduct a more comprehensive and detailed gap analysis to determine what systems and functions of the Commonwealth’s current enrollment, eligibility and other existing IT assets could be leveraged to facilitate specific functions of a health insurance exchange as prescribed in the ACA.

The future comprehensive gap analysis will also assist the state as it develops a detailed scope of work for the development and implementation of the state’s health insurance exchange.

The Commonwealth will resolve the initial gaps assessed in the current architecture by contracting with a systems integrator consultant to provide a more comprehensive and detailed gap analysis. It is anticipated that many of the gaps identified in the gap analysis will be filled through the acquisition of existing technologies and products as Pennsylvania continues to enhance its existing technologies and services.

In relation to specific exchange functions, these gaps can be organized and listed as follows:

Exchange Function	Description
<b>PORTAL</b>	
<b>Consumer Web Portal</b>	The IT Gap Analysis conducted by KPMG noted several areas where the core Commonwealth systems support aspects of an exchange portal, including web browser based primary interfaces and multiple views.
<b>Integration of Individual Eligibility Determination</b>	The Commonwealth has in place well-defined and documented procedures for eligibility determinations for its CHIP and Medical Assistance programs. As the state plans for the development of exchange eligibility determinations, leveraging the state's current procedures will be evaluated. However, the Commonwealth will need to develop the technology to facilitate the integration between the exchange and the state's current MMIS.
<b>Eligibility Notification</b>	Create integration with and leverage specific components of COMPASS and other DPW systems to Included communications to applicants concerning results of determination, including if applicable, notice of referral to Medical Assistance for applicants who may be eligible on a basis other than MAGI.
<b>Subsidy Calculator</b>	The Commonwealth will have to develop the technologies necessary to facilitate an online calculator that presents actual costs to consumers in a clear and intuitive format.
<b>Health Plan Presentation, Comparison and Quoting</b>	Health plan comparison based on consumer-selected preferences is a new process that will need to be built into the exchange. Health plan comparison should allow the consumer to "model" different health plan coverage and costs based on their medical reality (average office visits, type of medication, chronic conditions, etc.). Pennsylvania plans to incorporate consumer assistance tools and technologies in the exchange.
<b>Health Plan Enrollment process</b>	The Commonwealth has in place well-defined and documented procedures enrollment for the present CHIP and Medical Assistance programs. One option is for Pennsylvania to build on the current technology that supports these programs.
<b>Mobile Access</b>	Mobile access to the Pennsylvania exchange will be facilitated by developing mobile applications that are compatible with the most popular mobile devices. This may include exchange participant alerts, bill notification and bill payment through the mobile device. As with paper-based communications, HIPAA requirements must be considered when setting up these applications.
<b>HHS INTERFACE</b>	
<b>Federal Data Service HUB</b>	The Commonwealth will need to build the necessary data exchange with the Federal Data Services HUB to facilitate: 1) premium subsidy calculation; 2) residency verification; and 3) reporting to HHS. The Commonwealth will verify client / user information electronically using the federal data services hub and may also leverage existing State databases to the maximum extent feasible.
<b>HHS Reporting</b>	The Commonwealth will need to develop the necessary reporting requirements to facilitate the required reporting between the Commonwealth and the required Federal agencies via the federal data services HUB.
<b>SMALL BUSINESS (SHOP)</b>	
<b>Employer Registration</b>	The Commonwealth could leverage specific components of COMPASS and other DPW systems to allow employers to enter employee demographic and census data for enrollment and eligibility determination.
<b>Employee Enrollment</b>	The Commonwealth could leverage specific components of COMPASS and other DPW systems to facilitate employee enrollment.
<b>Health Plan</b>	Health plan comparison based on consumer-selected preferences is a new process that

<b>Presentation, Comparison and Quoting</b>	will need to be built into the Pennsylvania exchange. Health plan comparison should allow the consumer to “model” different health plan coverage and costs based on their medical reality (average office visits, type of medication, chronic conditions, etc.). Pennsylvania plans to incorporate intuitive consumer assistance tools and technologies in the exchange.
<b>Employer Admin Portal</b>	The Commonwealth will need to develop the necessary technology and interface to allow employers to update their employee census and other employer / employee data.
<b>BUSINESS OPERATIONS</b>	
<b>Certification, recertification, and decertification of QHPs</b>	PID has well-established policies, processes, and communications that support the current rate filing process. Data from the rate filing process could potentially be leveraged to support the certification process.
<b>Health Plan Rating</b>	Health plan ratings based on plan benefit design is a new process that will need to be developed into the Pennsylvania exchange. Additionally, based on yet to be determined HHS standards, quality rankings for each health plan will need to be tracked by the Pennsylvania exchange.
<b>Carrier Health Plan administration</b>	The Commonwealth will need to develop the processes necessary to facilitate health plan administration but will also look at possibly leveraging specific components of the state’s System for Electronic Rate and Form Filing to help facilitate this process.
<b>Customer Admin portal</b>	The Commonwealth will need to develop the necessary technology and interface to allow consumers to administer and perform updates (life events, contact info, etc.). This includes employer/employee administration tools which facilitate accurate consolidated billing through the exchange
<b>Administration of premium tax credits and cost-sharing reductions</b>	Cost reduction determination is a new process and will require the development of technologies and processes that enable the Pennsylvania exchange to determine the cost reduction amounts and communicate that information to the Treasury and other Federal and state agencies. Final guidance from HHS is anticipated on the topic of administering premium tax credits and cost sharing reductions. The Commonwealth is aware that successful subsidy implementation is dependent on the eligibility determination system used to support the exchange.
<b>Notification and appeals of employer liability</b>	A notification process for employers would need to be developed; however existing appeals processes could possibly be leveraged. Future research on emerging state practices is planned for this core area.
<b>Citizenship Verification</b>	Currently the Commonwealth uses the SSA citizenship verification database to verify citizenship. The Commonwealth may leverage this process and existing State databases.
<b>Residency Verification</b>	Residency verification is a new process and that technology will need to be built into the Pennsylvania exchange. There are new federal verification interfaces, which the state will need to account for in the exchange design (IRS, Homeland Security, etc.).
<b>Information and reporting to IRS and enrollees</b>	The Commonwealth will need to develop the necessary technology to facilitate the new federal, state, public, operational, and analytical reporting functions and requirements of an exchange. Final guidance from HHS is anticipated on the topic of information reporting to IRS and the enrollee. Compliance with consumer privacy and security safeguards must be observed if the exchange plans to request this information. With the additional regulatory guidance, the exchange will have a list of required fields that need to be collected and reported. These data fields will set the foundation for initial system development and testing for information reporting.
<b>Risk Adjustment</b>	Risk adjustment is a new and comprehensive process and the Commonwealth will need to integrate existing risk adjustment technologies and processes into the exchange. This includes the administrative support for the commercial underwriting processes needed

	with small employer groups. The Commonwealth will need to plan for necessary data collection to support risk adjustment, including demographic, diagnostic, and prescription drug data as determined appropriate. HHS is working with insurance plans and experts so that each State does not have to develop a risk adjustment model independently.
<b>State data hub</b>	Share data collected by the exchange and data collected by and for other federal and state programs operated by the Commonwealth to promote program efficiency and integrity.
<b>FINANCIAL TRANSACTIONS</b>	
<b>Premium invoicing, collection and distribution</b>	The Commonwealth will look to leverage existing technologies to facilitate the payment of premiums and disbursement of subsidies and credits within the Pennsylvania exchange.
<b>Premium aggregation</b>	Development of the process to facilitate the collection, aggregation and reconciliation of premiums from multiple sources (employers, public programs, etc.)
<b>CUSTOMER SERVICE</b>	
<b>Communication and Customer Support</b>	The Commonwealth currently provides traditional methods of communication and customer support (phone, mail, fax, email). These systems and operational processes will need to be expanded to deliver modern methods of service and communication (Live chat support, messages, text, call me, and other channels). These communication channels may also include educational material through the exchange web portal itself. Pennsylvania will implement a new customer service model that supports all users (i.e. employees, employers, brokers, community partners, health plans, etc.). Along with the new customer service model, Pennsylvania will need to establish an outreach infrastructure that encourages the uninsured, broker, navigator, and the small employer communities to use the exchange to access health care coverage.
<b>Call Center</b>	The current Call Center is effective. PID and DPW are analyzing the pros/cons of using or building on the Call Center’s capabilities, or developing an integrated customer service function, to enhance the consumer experience and provide assistance to exchange users.
<b>Navigator Program</b>	PID has well-established policies, processes, and communications materials that support producer licensing. PID and DPW also have experience with community partners assisting applicants for Medical Assistance and CHIP. This collection of assets could be leveraged for the creation of the Navigator licensing/certification process once the Navigator program is more fully defined and a financing mechanism is determined.

**Application Standards**

**1561 Recommendations** – The 1561 recommendations and NIEM standards are new to Pennsylvania. However, Pennsylvania is committed to implementing the 1561 recommendations for human services eligibility and enrollment processes to:

- Create a transparent, understandable and user-friendly online process that enables consumers to make informed decisions about applying for and managing benefits
- Provide a range of user capabilities, languages and access considerations
- Offer seamless integration between private and public insurance options
- Enable consistent and transparent data exchange of elements between multiple users (e.g. NIEM standards)
- Maintain strong privacy and security protections

The Commonwealth will incorporate the entire core Section 1561 recommendations. In addition, the Commonwealth will work to incorporate NIEM standards as the state develops the business processes and scope of works for the exchange.

## **HIPAA**

Maintaining application security is important to protect the sensitive information that is collected, processed, and stored in the health insurance exchange. The Pennsylvania exchange will comply with all Federal standards of the Health Insurance Portability and Accountability Act of 1996 (HIPAA).

The exchange will create a clear, easy-to-understand privacy notice as part of both the paper application and electronic process that consumers using the exchange will need to acknowledge and sign. While new systems are developed and existing systems are enhanced, Pennsylvania will continue to work to ensure that all systems are HIPAA compliant.

## **Accessibility**

It is a federal mandate that public-facing web sites must minimize technical and usability barriers for individuals with disabilities. Pennsylvania plans to ensure the exchange complies with all federal and state accessibility regulations and will test the exchange to ensure accessibility.

The exchange will also be in compliance with Title II of the Americans with Disabilities Act. The exchange will adhere to all standards for waiving unnecessary eligibility standards for individuals and will modify policies and procedures on an as-needed basis to ensure access to programs. In administering benefit services to students, the exchange will comply with section 504 of the Rehabilitation Act, developed by the Office of Civil Rights and the U.S. Department of Education, which allows all students to participate in any program receiving federal financial assistance, regardless of disability.

## **Security**

The Commonwealth understands that security is extremely important when dealing with confidential information related to health care programs. The State employs multiple layers of security in its systems for maintaining compliance and protecting data like personal health information (PHI) and personal identifying information (PII).

Pennsylvania understands the federal Fair Information Practices (FIP) guidelines for collecting data, maintaining data integrity and quality, and providing transparency regarding data access and use.

The Commonwealth has reviewed the FIP guidelines and believes the standards are in direct relation to HIPAA compliance. PID already issues notices to all beneficiaries regarding the state's Privacy Practices which address Notice/Awareness, Choice/Consent, Access/Participation, Integrity/Security, Enforcement/Redress, and Dependent Children which all are identified in the FTC Fair Information Practice documentation.

The Commonwealth will ensure that security measures in place will comply with all federal standards. During the development of an exchange, security protocols will be implemented and extensively tested at each phase.

## **Federal Information Processing Standards (FIPS)**

The Commonwealth will thoroughly evaluate the FIPS standards as it applies to the state's exchange and make a decision as to how the exchange may comply with these standards. Pennsylvania will provide HHS with a formal response and decision regarding the FIPS evaluation.

**Evaluation Plan**

The Commonwealth understands that an established and comprehensive evaluation plan is necessary for the successful development of a state-based health insurance exchange. It has therefore developed an evaluation plan specific to the activities outlined in this cooperative agreement that will track key indicators, measure progress, and evaluate the achievement of outcome goals for each of the exchange establishment core areas. At this time, it is expected that planning consultants will assist the Commonwealth to develop evaluation measures for the non-IT components of the exchange project and advise on how to implement these measures.

***Key Indicators to Be Measured***

The Work Plan developed for this cooperative agreement outlines the specific tasks/outcomes to be completed during the grant period and the estimated timeframes for completion. These tasks/outcomes will serve as the key indicators by which overall progress is measured. Subtasks and their respective timeframes may be outlined once the cooperative agreement is awarded and details of the Work Plan can be finalized. Key indicators will be regularly monitored to ensure that all milestones, planning objectives, and requirements are being met in a timely and efficient manner.

Below is a section of Pennsylvania’s Work Plan, illustrating some of the key indicators to be measured—tasks/outcomes for the core area, state and federal milestones, and the estimated timeframes for completion.

<b>Task/Outcome</b>	<b>State and Federal Milestones</b>	<b>Estimated Timeframe</b>	<b>Responsible Entity</b>
<b>Governance</b>			
Develop Governance Model	<ul style="list-style-type: none"> <li>• Work with stakeholders to answer key questions about the governance structure of an exchange</li> </ul>	Jan 2011 – Aug 2011	Exchange Team; KPMG
	<ul style="list-style-type: none"> <li>• Present governance model plan to Governor for approval</li> </ul>	Oct 2011 – Jan 2012	Exchange Team
Governance Structure Financial Analysis and Planning Analysis	<ul style="list-style-type: none"> <li>• Complete research design and expected deliverables</li> <li>• Issue RFP for consultant(s) or use other standard state procurement processes as established by state law and regulation</li> <li>• Select vendor(s)</li> </ul>	Jan 2012 – Mar 2012	Exchange Team
	<ul style="list-style-type: none"> <li>• Present findings report and assist in developing implications for exchange design</li> </ul>	Mar 2012 – Jun 2012	Financial Consultants; Planning Consultants
Establish Governance and Operations Structure	<ul style="list-style-type: none"> <li>• Determine necessary approval and authorization process to establish governing body, including developing a formal operating charter, acquiring office space, equipment, etc., as appropriate</li> </ul>	Apr 2012 – Jun 2012	Exchange Team; Planning Consultants; Possible Outside Legal Counsel

Shaded rows represent activities that have or will be completed as part of the Exchange Planning Grant process.

***Baseline Data for Each Indicator***

Baseline data provides the starting point from which progress related to each task and milestone will be monitored and measured. The Commonwealth is planning to draw the applicable baseline data for each task and milestone from the information outlined in the “Demonstration of Past Progress in Exchange Planning Core Areas” section. Upon award of the cooperative agreement, the Commonwealth will begin compiling and organizing baseline data for each of the tasks/outcomes outlined in the Work Plan.

**Methods to Monitor Progress and Evaluate the Achievement of Program Goals**

The Commonwealth plans to establish several methods to monitor progress and evaluate the achievement of program goals:

1. —Projected outcomes” are specific outcome goals that will be developed for each task. These outcomes can serve as a guide to determine whether the realized outcomes for each task meet the projected outcomes and are therefore in line with the overall goals of the planning and development process. If projected outcomes are not met, plans for timely intervention will be developed.
2. A specific agency or staff person will be assigned to oversee each portion of the Work Plan. This responsible person or entity will ensure that key indicators for each task are met, progress and performance is measured, and projected outcomes are achieved by the expected completion date. Consultants and vendors will report to the assigned entity, or project lead overseeing the task, who will then report to the Grant Manager and Project Director. Planning consultants are expected to assist the Commonwealth to develop specific evaluation measures for the non-IT components of an exchange, while the IT System Integrator Consultant will develop the IT evaluation measures. The Grant Manager will compile the evaluation reporting and submit progress to HHS in quarterly reports.
3. Progress reports will be used to track performance activities. These formalized progress reports will outline subtasks and target milestones necessary to complete tasks within the estimated timeframes and to meet the projected outcomes. It will be the responsibility of the assigned entity to regularly update these progress reports with past progress and current status of the assigned subtasks/outcomes. The progress reports will be reviewed by the Project Director on a monthly basis, or more frequently if determined necessary. The Grant Manager will provide CCIIO with a summary of these progress reports through the regular submission of cooperative agreement quarterly reports.

The following is an illustrative example of the progress reports that may be used during the planning and development process. A separate report will be developed for each key indicator or major task outlined in the Work Plan.

<b>Core Area:</b>						
<b>Project Lead:</b>						
<b>Associated Work Groups/Consultants:</b>						
<b>Task/Key Indicator</b>	<b>State/Federal Milestones</b>	<b>Start Date</b>	<b>Completion Date</b>	<b>Baseline Information</b>	<b>Status</b>	<b>Projected Outcomes</b>
<b>Notes:</b>						

**Problems and Plans for Intervention:**

**Status Key:**

Complete	On Schedule	Delay	Stopped
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***Plans for Timely Interventions***

The Commonwealth will develop a monthly schedule for updating information and data for each task/outcome. This regular review will ensure that all indicators are being met as well as highlight the need for any interventions when targets are not being completed or unexpected obstacles delay plans. If delays or obstacles arise during the planning and development process, the Project Director will work with the entity assigned to the task/outcome to determine the reason for the delay and develop an appropriate plan for response. Once these response plans are developed, key indicators, expected completion dates, and baseline information for related tasks and projects will be revised and adjusted to ensure that projected outcomes and overall goals of the planning and development process are achieved.

***Plan for Ongoing Evaluation of Exchange Functioning Once Operational***

Use of this evaluation plan will continue if the Commonwealth decides to transition from a planning and development phase to an establishment and operational phase. A separate IT evaluation plan will be created, based on the System Development Lifecycle Framework to be developed by the IT Systems Integrator Consultant during this planning and development process. The expected modular products and operations of an exchange lend themselves well to performance evaluation, creating natural outcome-based performance points. System interoperability and security standards will be clearly outlined and will serve as measures for program success. The Commonwealth plans to establish monitoring processes consistent with appropriate state and federal standards to evaluate ongoing exchange functions once operational.