Health Benefit Exchange Project
Budget Estimate for Exchange Operations

House Labor, Health and Social Services Committee
October 10, 2011
Health Benefits Exchange | Agenda

- Introduction of Public Consulting Group & role PCG played for WY
- Explanation of Exchanges and Budget Estimate of Wyoming Single State Exchange
- Explanation of Methodology and Budget Estimate for Regional and Shared Services Exchanges
- Presentation of comparison data from other states
Public Consulting Group: Health Reform Activities in the States

Health Care Reform and Medicaid Redesign

- Planning Grant
- HCR and HIE/HIT
- Medicaid Redesign
Health Benefits Exchange | Methodology (Single State Exchange)

- **Identify Major Cost Centers**
  - Staff Salaries and Benefits
  - Enrollment and Eligibility System
  - Call Center
  - Premium Billing Collection
  - Consulting Services
  - IT & Website
  - Rent & General Administrative

- **Exchange Operation Cost Centers were defined using a Number of Sources:**
  - Business Operations “Minimum Functions of the Exchange” as defined on pages 49 – 53 of the OCIIO January 20, 2011 Grant Application (IE-HBE-11-004)
  - PCG’s experience in other states (DE, NV, TX)
  - Publicly available studies
Health Benefits Exchange | Salary and Fringe Benefits Costs

- Comprised of Executive leadership team managing a host of contractors
- Salary Estimate from WY Dept of Administration and Information
- Potential number of FTEs necessary for quasi-state agency
  Exchange comes from industry research, consideration of the MA Connector, and the WY Retirement System
- Estimated 12 FTEs to run the Exchange at a total salary (including benefits) of $1,286,819
PCG developed an organizational chart based on our knowledge of the Exchange requirements and peer state models developed in MA, NC, DE, and TX.

This organizational chart identifies the minimum leadership positions (staff) and major functional areas (contractor).

This model assumes a quasi-public Exchange governance.
Information Technology Gap Analysis and To-Be Vision of the Exchange IT Systems Infrastructure from Wyoming’s APD provides a cost range for building the new system. PCG’s experience in other states can also provide estimates.

PCG’s general analysis of the options for new eligibility and enrollment systems is similar to the options listed in Wyoming’s I-APD. PCG’s viewpoint is presented in the following matrix. WY additionally considered a stand alone HIE eligibility determination system.

WY’s request to CMS is to utilize Option 3. PCG’s analysis considers that Option 2 has benefits as well. For cost modeling, the two options were blended and Exchange costs were separated from Medicaid costs.

Estimated cost of $1,051,748.
The ACA mandates that all Exchanges have an operational call center that can guide consumers through the process of purchasing care via an Exchange and also answer questions individuals or businesses may have.

Staff and costs requirements for the call center will be largely dependent on call volume, but there will also be a subset of fixed costs (e.g. management, rent, and equipment) that must be borne in times of very few calls just as in time of heavy call volume.

The following chart provides cost estimates for Exchange call centers in several other states.

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>NC ESTIMATE</th>
<th>MAINE DATA</th>
<th>WYOMING ESTIMATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Population</td>
<td>795,791</td>
<td>306,280</td>
<td>30,500</td>
</tr>
<tr>
<td>Estimated % Contact</td>
<td>25%</td>
<td>50%</td>
<td>25%</td>
</tr>
<tr>
<td># of Contacts</td>
<td>198,948</td>
<td>153,140</td>
<td>7,625</td>
</tr>
<tr>
<td># FTEs</td>
<td>30</td>
<td>30</td>
<td>2</td>
</tr>
<tr>
<td>Total Cost</td>
<td>$ 1,287,446</td>
<td>$ 1,227,189</td>
<td>$108,409.50</td>
</tr>
</tbody>
</table>
Recent proposed rules require SHOP Exchanges to provide premium billing services.

Estimate of the Wyoming Exchange Premium Billing Engine & Website can be developed using professional judgment, estimates from other states, and the Massachusetts Connector’s 2010 operating budget.

Premium Billing Engine is the IT Component of billing, and cost estimate assumes an automated system is built to produce invoices and track payments.

Website serves as primary contact point for consumers and central hub for IT systems.

Ongoing Maintenance costs are estimated since Federal Matching funds will be available for start-up costs.

Premium Billing Engine estimate: $225,000

Web Portal estimate: $650,000
Health Benefits Exchange | General Administrative

- General Administrative costs projected utilizing research into WY real estate and professional judgment.
- Facility Cost is the most expensive and estimated at $17/sq ft per yr NNN + .07/sq for insurance. Need 10,000 sq ft. - Based on industry standards for size and actual properties in Cheyenne.
- Total Cost Estimate: $268,662
Other Contracted/Consulting Services and General Administrative

- Other Contracted/Consulting Services costs projected based on estimates from other states.
  - Marketing
  - Navigator
  - Actuarial
  - Auditing
  - Legal and Other Professional Consulting Services
<table>
<thead>
<tr>
<th>Description</th>
<th>WY CY 2014 Cost Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary and Benefits</td>
<td>$1,286,819</td>
</tr>
<tr>
<td>Contract</td>
<td>$2,640,082</td>
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<tr>
<td>Other Indirect</td>
<td>$268,662</td>
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<tr>
<td>TOTAL</td>
<td>$4,195,563</td>
</tr>
<tr>
<td>PMPM (at 30,500 enrollment)</td>
<td>$11.46</td>
</tr>
</tbody>
</table>
Health Benefits Exchange | Methodology: Regional / Share Services Exchange

- Started with assumptions for the single state WY Exchange
- Assumed a Regional Exchange comprised of ID, NM, SD, UT, and WY
- Estimated enrollment at 390,845 (30,500 from WY)
- Identified areas of potential savings and applied Discount Factor for Regional Exchange and then calculated total estimated costs to WY
- Separated potential shared services and created cost estimate
# Health Benefits Exchange | Comparison: Single State, Regional, and Share Services Exchange

<table>
<thead>
<tr>
<th>Description</th>
<th>Single State</th>
<th>Regional</th>
<th>Shared Services</th>
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</thead>
<tbody>
<tr>
<td>Salary and Benefits</td>
<td>$1,286,819</td>
<td>$489,898</td>
<td>$1,286,819</td>
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<tr>
<td>Contract</td>
<td>$2,640,082</td>
<td>$2,501,015</td>
<td>$2,501,015</td>
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<tr>
<td>Other Indirect</td>
<td>$268,662</td>
<td>$120,898</td>
<td>$268,662</td>
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<tr>
<td>Total</td>
<td>$4,195,564</td>
<td>$3,111,811</td>
<td>$4,056,496</td>
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<tr>
<td>PMPM</td>
<td>$11.46</td>
<td>$8.50</td>
<td>$11.08</td>
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</table>
### Health Benefits Exchange | State Comparisons

<table>
<thead>
<tr>
<th>Category</th>
<th>Delaware</th>
<th>Massachusetts</th>
<th>North Carolina</th>
<th>Illinois</th>
<th>Utah</th>
<th>Wyoming</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary Staff</td>
<td>$1,059,828</td>
<td>$5,861,126</td>
<td>$6,127,839</td>
<td>$7,314,712</td>
<td>$500,000</td>
<td>$1,286,819</td>
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<tr>
<td>Eligibility and Enrollment</td>
<td>$2,000,000</td>
<td>$5,506,397</td>
<td>$314,684</td>
<td>$7,215,427</td>
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<td>$1,051,748</td>
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<tr>
<td>Call Center</td>
<td>$251,464</td>
<td>$1,480,391</td>
<td>$9,363,531</td>
<td>N/A</td>
<td>$1,286,819</td>
<td></td>
</tr>
<tr>
<td>Premium Billing Engine</td>
<td>$2,315,859</td>
<td>$9,781,251</td>
<td>$3,000,000</td>
<td>$4,048,350</td>
<td>N/A</td>
<td>$108,410</td>
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<td>Marketing</td>
<td>$555,906</td>
<td>$1,598,273</td>
<td>$4,759,068</td>
<td>N/A</td>
<td>$225,000</td>
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<tr>
<td>Navigator</td>
<td>$173,908</td>
<td>$500,000</td>
<td>$1,983,950</td>
<td>$1,900,246</td>
<td>N/A</td>
<td>$79,843</td>
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<tr>
<td>Actuarial</td>
<td>$201,042</td>
<td>$578,012</td>
<td>$103,363</td>
<td>N/A</td>
<td>N/A</td>
<td>$92,300</td>
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<tr>
<td>Auditing</td>
<td>$31,651</td>
<td>$91,000</td>
<td>$384,741</td>
<td>N/A</td>
<td>N/A</td>
<td>$14,531</td>
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<tr>
<td>Legal and Other Professional</td>
<td>$347,655</td>
<td>$1,020,930</td>
<td>$3,000,000</td>
<td>$2,148,104</td>
<td>N/A</td>
<td>$163,028</td>
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<tr>
<td>Consulting Services</td>
<td>$566,395</td>
<td>$1,628,428</td>
<td>$1,000,000</td>
<td>$798,654</td>
<td>$302,400</td>
<td>$650,000</td>
</tr>
<tr>
<td>IT and Website Design</td>
<td>$259,982</td>
<td>$747,469</td>
<td>$512,250</td>
<td>$1,108,814</td>
<td>N/A</td>
<td>$268,662</td>
</tr>
<tr>
<td>General Administrative Costs</td>
<td>$0</td>
<td>$139,104</td>
<td>$1,093,464</td>
<td>$3,111,998</td>
<td>N/A</td>
<td>$0</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$7,763,690</td>
<td>$27,451,990</td>
<td>$23,759,750</td>
<td>$39,323,179</td>
<td>$802,400</td>
<td>$4,195,563</td>
</tr>
</tbody>
</table>

| Enrollment                        | 66,443         | 190,000       | 714,222        | 486,000       | 4,200         | 30,500        |
| PMPM                              | $9.74          | $12.04        | $2.77          | $6.74         | $15.92        | $11.46        |
Health Benefit Exchange Project
Peer State Comparisons

October 10, 2011
# Review of States’ Actions | Governance Options Recap

<table>
<thead>
<tr>
<th>Model Type</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>State Agency</strong></td>
<td>• Existing infrastructure already in place</td>
<td>• May overburden existing staff</td>
</tr>
<tr>
<td></td>
<td>• Established lines of communication</td>
<td>• More restrictive hiring process</td>
</tr>
<tr>
<td></td>
<td>• Leverages existing resources</td>
<td>• Exchange may be more subject to political influence</td>
</tr>
<tr>
<td></td>
<td>• Less chance of regulatory confusion</td>
<td></td>
</tr>
<tr>
<td><strong>Independent Public Entity</strong></td>
<td>• Possible exemption from State hiring requirements</td>
<td>• May be more difficult communicating with State agencies</td>
</tr>
<tr>
<td></td>
<td>• Less subject to political influence</td>
<td>• Possibility of regulatory confusion</td>
</tr>
<tr>
<td></td>
<td>• More visible to the public</td>
<td>• Higher cost to establish initially</td>
</tr>
<tr>
<td><strong>Not-for-profit Entity</strong></td>
<td>• Possible exemption from State hiring requirements</td>
<td>• Isolated from State employees</td>
</tr>
<tr>
<td></td>
<td>• Less subject to political influence</td>
<td>• Less accountability</td>
</tr>
<tr>
<td></td>
<td>• More flexibility in decision making</td>
<td>• Possibility of regulatory confusion</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Higher cost to establish initially</td>
</tr>
</tbody>
</table>
Review of States’ Actions | Governance

Exchanges within State Agencies (3 total)

- Utah (Office of Consumer Health Services)
  - Up to 9 board members, including the Insurance Commissioner
  - 6 – 8 members appointed by Governor representing carriers, employers and employees, the Office of Consumer Health Services and the Public Employees Health Benefit Program

- West Virginia (Office of Insurance Commissioner)
  - 10 board members including 4 ex officio: Insurance Commissioner, Medicaid Office Director, CHIP Program Director, and WV Health Care Authority Chairperson
  - 2 members, representing providers and payers will be selected by advisory groups of providers and payers, respectfully
  - Remaining members are appointed by the Governor
Review of States’ Actions | Governance

Exchanges as Quasi-Governmental Agencies (7 total)

- **Washington**
  - 11 board members, including Commissioner of Insurance and Administrator of Health Care Authority
  - Governor appoints 4 members from a pool of House and Senate nominees (must include employee benefit specialist, health economist or actuary, consumer advocate, and small business owner)
  - Governor appoints additional 4 members based on other desired expertise

- **Colorado**
  - 12 board members, including Executive Director of Dept of Health Care Policy and Financing, Commissioner of Insurance, Director of Office of Economic Development and International Trade
  - 5 members appointed by the Governor
  - 1 appointed by President of the Senate
  - 1 appointed by Majority and Minority Leaders of the Senate
  - 1 appointed by Speaker of the House
  - 1 appointed by Minority Leader of the House
Review of States’ Actions | Governance

Exchanges as Independent State Agencies (2 total)

- Nevada
  - 10 board members, including Director of Dept of Health and Human Services, Director of Dept of Business and Industry, Director of Dept of Administration
  - 5 appointed by Governor
  - 1 appointed by Senate Majority Leader
  - 1 appointed by Speaker of Assembly
  - Specific provision – voting members may not be elected officials, state employees, or affiliated with a health insurer

** Hawaii is, so far, the only state to elect to establish a private, non-profit Exchange. The structure, however, closely resembles the quasi-governmental agencies that others have established.
Review of States’ Actions | Other Steps Taken

Indiana

- Governor issued an Executive Order to conditionally establish an Exchange
  - Dependent on outcome of constitutional challenges to the ACA, feasibility of additional federal guidance, and consideration of federal model when it becomes available
  - The Exec Order would establish the Exchange as a non-profit that is incorporated by the Secretary of the Indiana Family and Social Services Administration

Idaho

- Applied for Level 1 funding on September 30th
  - Conducted extensive stakeholder and background research and is strongly considered a state-run Exchange

Montana and Nebraska

- Both states have seen very strong public support for Exchange establishment
  - Nebraska Health Alliance: non profit group of businesses, health providers, associations, carriers, and individuals in favor of a state-run Exchange
  - In Montana, members of business community, insurers, and consumer groups showed support for Exchange establishment through public demonstrations at each legislative debate
Review of States’ Actions | Other Steps Taken

24 states have made significant progress toward Exchange establishment

- 15 states have enacted some form of Exchange legislation
- 3 states and D.C. currently have legislation pending
- 4 states have issued Executive Orders (AL, GA, RI, IN)
- 2 states have existing Exchanges

6 states are following active purchaser model, 3 follow clearinghouse model

Louisiana, Florida, Kansas, and Oklahoma returned some or all federal funding, Alaska never applied for funding

- Oklahoma and Alaska both still pursuing Exchange with state dollars