



Exchange in a Box

Concept Paper

Revised 12.16.12

To receive updates or to requests additional information, please send an email to:
dan.schuyler@leavittpartners.com

Many states would like to retain as much control of their insurance market by implementing a State-Based Exchange but feel there is not enough time to accomplish this task. Additionally, many states may not want the complications associated with accepting Federal establishment grant funding. However, there is a solution for states to consider. By leveraging existing private sector technologies, we propose an “Exchange in a Box” (EIB) solution that can be dropped into a state and can expedite the implementation time frame. The “Exchange in a Box” also offers a unique per member per month (PMPM) cost structure—the more states that participate, the lower the cost of the solution for each state. The EIB cost structure is significantly less than the proposed FFE issuer fee cost structure. The EIB concept requires no Federal grant funding, and there are no up-front costs for the core technology functions.

Core Technology Functions

The core technology functions [Figure 1] is a privately developed and operated solution that would provide the functionality for both an **individual** and **small group** exchange. These core functions of the EIB are:

- a) Electronic application
- b) An assessment for Medicaid / CHIP eligibility and some integration with the state’s Medicaid / CHIP eligibility systems [See #3 under Funding Source]
- c) Integration with state systems (SERFF, other) for plan management
- d) Integration with the Federal Data Services HUB to verify MAGI income, citizenship and residency status, etc.
- e) Integration with the federal services for APTC/CSR eligibility and tax exemption determination
- f) Individual and small group shopping and enrollment
- g) Utilizes and integrates with either the Federal risk adjustment model or a State risk adjustment model
- h) Call center services
- i) Financial Services (optional)

State Expectations

1. The intent is to develop a single, standardized Core Technology that could work for a group of individual states and allows them to maintain their own identity, but also would allow each state to customize the technologies as desired.
2. Instead of customizing the Core Technology to work with each state’s existing systems, states would need to commit to developing Medicaid / CHIP eligibility and insurance plan management systems that can interface with the standardized Core product. States that are planning to use the NAIC SERFF enhancement for plan management would be ideal partners.
3. States would need to establish a governance process or business office that would meet guidelines for federal certification.
4. State would need to sign onto a multi-state non-binding agreement.

Funding Source – There are three primary considerations when it comes to funding.

1. There are **no** upfront costs for an EIB implementation.
2. Development and On-going Costs – The Core Technology [Figure 1] would be structured to allow the private entity (vendors) to meet development and on-going expenses through the use of a Per Member Per Month fee (PMPM) [Figure 3].
3. Integration Costs –The EIB PMPM will include a Medicaid / CHIP *assessment* and some of the integration costs with the state’s Medicaid agency.

Depending on how states decide to perform Medicaid / CHIP eligibility determination will determine how much of the interface costs can be bundled into the PMPM. If a state chooses, the EIB can provide states with a complete Medicaid / CHIP eligibility determination engine for a marginal fee that can be added to the PMPM.

Additionally, some integration between the EIB and the state’s Medicaid eligibility systems could be paid for using CMS 90/10 Medicaid Modernization grant funding or some Federal establishment grant funding.

The goal is to minimize the development cost with active participation and buy in from multiple states. The more states that commit to the Exchange in the Box concept, the lower the costs for all states involved.

Having multiple vendors participating will ensure there is a sufficient pool of experienced personnel available to simultaneously execute on multiple state Exchange in the Box implementations in an efficient and timely manner.

Exchange in a Box Functions

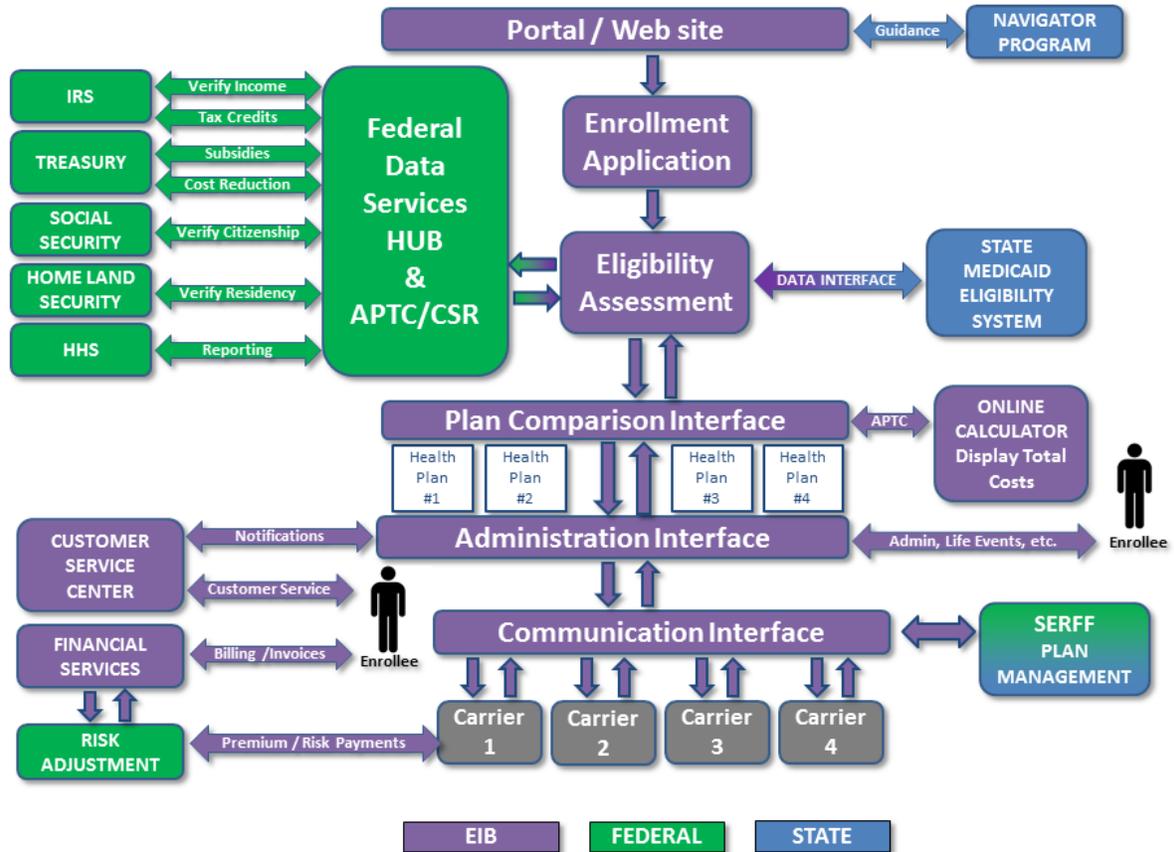


Figure 1

The costs for services or functions that fall outside the EIB functions specified above would be the responsibility of the state(s).

Exchange in a Box Expected Timeline

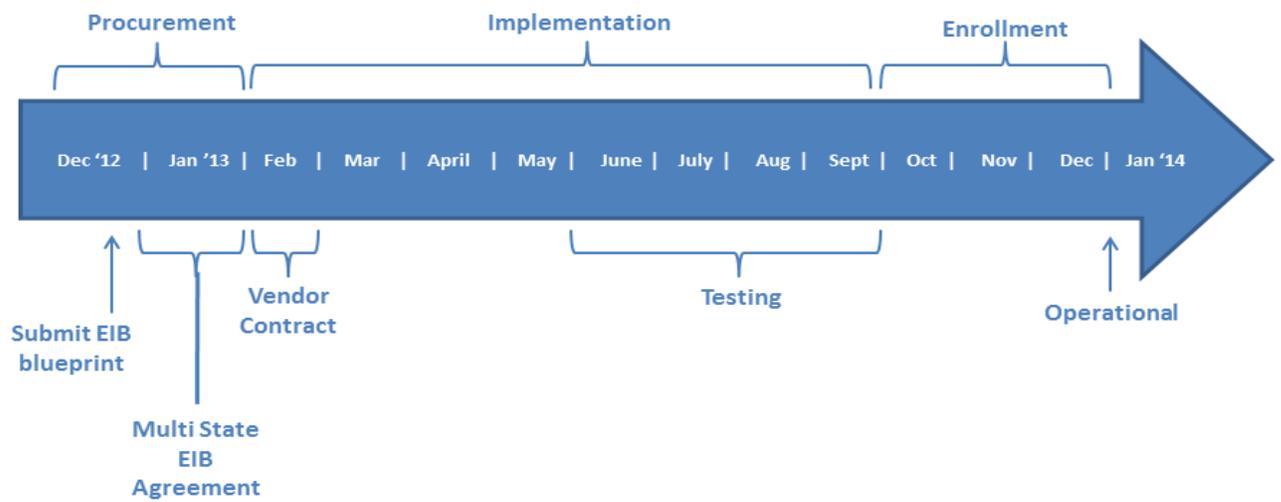


Figure 2

EIB Estimated PMPM Costs

The following PMPM prices are early estimates only. Final PMPM cost figures will be available before the end of the year.

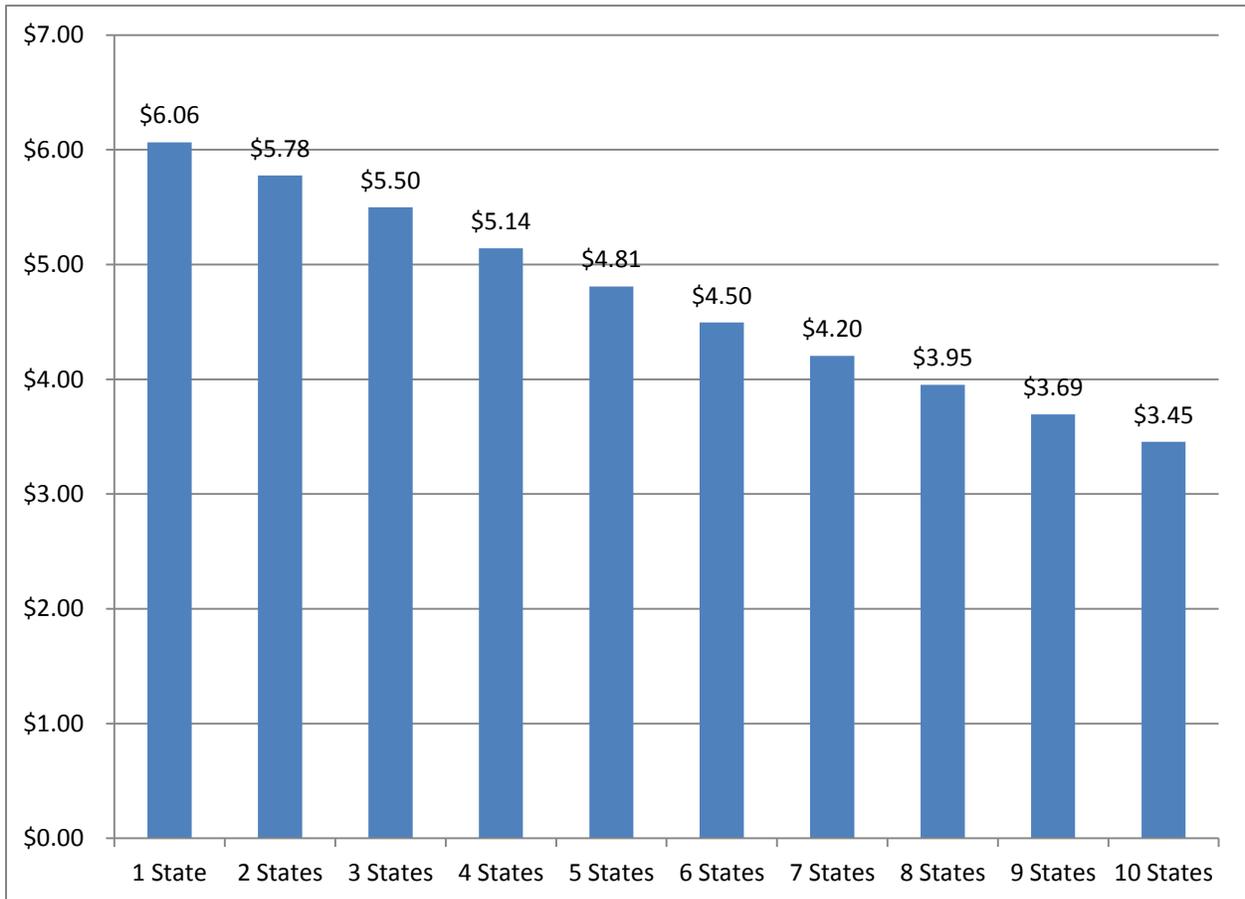


Figure 3

Example, if 3 states committed to an Exchange in the Box implementation, each state would pay \$5.50 PMPM. If 8 states commit, each state would pay \$3.95 PMPM. Currently, the PMPM would be capped at 10 states (\$3.45).

EIB Estimated Cost Comparison

For a Federally Facilitated Exchange (FFE), HHS proposes to assess a user fee rate equal to 3.5 percent of the monthly premium charged by the issuer for a particular policy. By comparison, the EIB PMPM will be consistent based on the number of family members.

Below are three comparisons of the FFE user fee and the EIB PMPM.

FFE fee vs. EIB PMPM with <u>2</u> states participating				
Tier	Rate	Monthly Premium ¹	Monthly FFE User fee	EIB PMPM
Enrollee	Low	\$500.00	\$17.50	\$5.78
Enrollee	Medium	\$650.00	\$22.75	\$5.78
Enrollee	High	\$850.00	\$29.75	\$5.78
Family of 4	Low	\$1350.00	\$47.25	\$23.12
Family of 4	Medium	\$1750.00	\$61.25	\$23.12
Family of 4	High	\$2200.00	\$77.00	\$23.12

FFE fee vs. EIB PMPM with <u>4</u> states participating				
Tier	Rate	Monthly Premium ¹	Monthly FFE User fee	EIB PMPM
Enrollee	Low	\$500.00	\$17.50	\$5.14
Enrollee	Medium	\$650.00	\$22.75	\$5.14
Enrollee	High	\$850.00	\$29.75	\$5.14
Family of 4	Low	\$1350.00	\$47.25	\$20.56
Family of 4	Medium	\$1750.00	\$61.25	\$20.56
Family of 4	High	\$2200.00	\$77.00	\$20.56

FFE fee vs. EIB PMPM with <u>6</u> states participating				
Tier	Rate	Monthly Premium ¹	Monthly FFE User fee	EIB PMPM
Enrollee	Low	\$500.00	\$17.50	\$4.50
Enrollee	Medium	\$650.00	\$22.75	\$4.50
Enrollee	High	\$850.00	\$29.75	\$4.50
Family of 4	Low	\$1350.00	\$47.25	\$18.00
Family of 4	Medium	\$1750.00	\$61.25	\$18.00
Family of 4	High	\$2200.00	\$77.00	\$18.00

Figure 4

¹ AHIP 2011 Small Group Health Insurance in 2010: A Comprehensive Survey of Premiums, Product Choices, and Benefits.

Exchange in a Box Partners

Microsoft and Infosys have committed to providing the technologies, experience and resources necessary to facilitate multiple EIB implementations. They are currently providing the technology solutions that drive both public and private exchanges.

The Microsoft logo is displayed in a bold, black, italicized sans-serif font. A registered trademark symbol (®) is located at the top right of the word.The Infosys logo is displayed in a blue, sans-serif font. A registered trademark symbol (®) is located at the top right of the word.