

**Office of Consumer Information and Insurance Oversight**

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

**Date: 5/23/11**

**State: California**

**Project Title: California Health Benefit Exchange Planning Grant**

**Project Quarter Reporting Period:  
Quarter 2 (01/01/2011-03/31/2011)**

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Award number: 1 HBEIE100046-01-00

Date submitted: 5/19/11

**Project Summary**

On September 30, 2010 California became the first state in the nation to enact state legislation establishing a Health Benefit Exchange pursuant to the provisions of the ACA. California law established the Exchange on January 1, 2011, as an independent state agency governed by a five member Board. As of this writing, four of the five Board members have been appointed. The Board met on April 20 and May 11. The Board has taken the following key actions:

- Appointed Patricia Powers as the Acting Administrative Officer of the Exchange;
- Created a Search/Recruitment subcommittee to advise on the selection process for a permanent Executive Director. At the May meeting Board members approved duty statements for the Executive Director and Chief Counsel. Staff were authorized to contract with a recruitment entity to conduct searches for these positions and recommend salary ranges to the Board;

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- Created a subcommittee to provide policy guidance on development of an Establishment grant application;
- Adopted a motion to apply for a Level II Establishment grant by September 30, 2011, although the Board authorized staff to explore the feasibility of submitting a Level I grant application by June 30; and
- Adopted a public meeting calendar for the remainder of the calendar year.

During the first and second grant quarters all tasks associated with the grant were coordinated by staff at the California Health and Human Services Agency (CHHSA). No funds awarded in this grant were expended in either the first or second grant quarters.

As mentioned above, to assist in the hiring process and consistent with state legislation, CHHSA contracted for and completed salary surveys and duty statements for the Executive Director and the Chief Counsel for the Exchange within the second quarter of this grant period. The creation of salary surveys and duty statements for other key executive positions was also initiated.

Starting in the second quarter, several California-based health philanthropies and the University of California are supporting analyses that will benefit the Exchange. These include commissioned papers, sponsored projects, and support of policy experts advising the Exchange Board. In addition, philanthropies are assisting with the development of the Establishment grant application.

During the first two quarters of this grant, CHHSA staff regularly participated in conferences and webinars to offer information regarding the Exchange and to solicit comments from interested parties both within and outside of California. Staff provided comments and feedback on proposed federal guidance and regulations affecting the Exchange during the first grant quarter.

Staff regularly met with stakeholders, and continue to do so. The April and May Board meetings also provided a meaningful venue for stakeholder participation. Public comment was taken after each agenda item, and the Board responded directly to stakeholder questions and comments. At the April Board meeting, members directed staff to revise the duty statement for the Acting Administrative Officer, as well as the Executive Director, to explicitly include collaboration with stakeholders. To promote stakeholder transparency and input, the California Exchange website, [www.healthexchange.ca.gov](http://www.healthexchange.ca.gov), was established within the second quarter of this grant period and is enhanced on an ongoing basis. Staff continue to compile a list of relevant stakeholders both nationally and in California to ensure the broadest reach for the Exchange.

Staff obtained initial cost estimates for basic administrative and accounting systems for Board operations, staff recruitment, and ongoing accounting support. The process of locating potential office space and managing the administrative processes to support staff hiring and

recruitment is underway; the Board is expected to rely on office space and equipment in CHHSA for near-term use.

CHHSA, the Office of Systems Integration (OSI), the state Medicaid agency, and the state CHIP agency have met to begin to explore options for streamlining eligibility and enrollment systems. This group has also met with county partners.

### **Barriers, Lessons Learned, and Recommendations to the Program**

As previously reported, the comprehensive nature and the attendant complexity of the ACA mean that many stakeholders are unfamiliar with the details of the Exchange-related provisions of the law. The implementation and operation of the Exchange have to provide for consistent and open communication regarding the structure and responsibilities of the Exchange as defined in the ACA as well as state law. California will use public board meetings to educate Board members and the public in Exchange-related provisions of the ACA and California law. In addition, as our resources permit, we will convene stakeholders to solicit input around specific Exchange functions.

The current fiscal crisis in California affected the implementation of the Exchange. We had expected to have a full Board appointed, at the latest, by the end of January. However, with the budget consuming the legislature's full attention and the strict requirements in the enabling legislation, the Assembly has appointed a member (Paul Fearer) while the Senate appointment is pending.

### **Technical Assistance**

Federal guidance on Exchange-related provisions of the ACA will assist California in its planning and implementation efforts. For those items for which federal guidance will be issued, a timeline for the issuance of the regulations would greatly assist in state planning efforts. Guidance related to information technology (IT) systems and eligibility and enrollment requirements would be particularly helpful. In addition, guidance is needed on the Basic Health Program (BHP). There is interest among California health plans, providers and stakeholders in the BHP; technical assistance regarding the implications of having this program inside versus outside of the exchange, along with other state analyses of this issue would be helpful.

After communicating with other states, it appears that certain expert consultants contracting with one or more states are creating products that could benefit many Exchanges. For example, Washington State is contracting with an expert on risk-related issues, as well as experts to determine their core operational tasks within a timeline for start-up. To the extent the federal government and/or NASHP or Academy Health can cross-fertilize this information – both the end deliverables, as well as letting everyone know what is in progress, we could all benefit from this work.

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**Draft Exchange Budget**

The following categories of expenditure have been identified as necessary for the operation of the Exchange. No specific dollar amounts have been developed as of this date.

Function	FFY 2011	FFY 2012	FFY 2013	FFY 2014
Eligibility Determination, Verification, Enrollment, & Disenrollment				
Granting of Exemptions to Individual Mandate				
Website & printed collateral materials				
Customer Service/call Center				
Premium Collection				
Open Enrollment				
Active Contracting with Plans: designation of QHPs, plus any additional criteria adopted by Board				
Risk Adjustment Mechanisms				
Training of Navigators and others involved in distribution				
IT infrastructure				
Marketing & Advertising				
Salary & Benefits				
Consulting Services				
General Admin				
Communications				
Travel				
Board Meetings				
Facility & related				
Eligibility Appeals				

**Work Plan**

**Background Research**

**Quarter 2**

- Name of milestone: Collaborate with foundations on background research projects.

- Timing: Ongoing
- Description: CHHSA and the Exchange will collaborate as appropriate with foundations funding background research to ensure that findings are relevant and useful to the Exchange.
- Name of milestone: Provide input to University of California researchers on projects.
  - Timing: 3/11 and ongoing
  - Description: CHHSA and the Exchange began meeting with University of California researchers in March to provide feedback on a model of the potential changes in insurance coverage, include Exchange enrollment and take-up rates, in California. Researchers presented [initial findings](#) at the May 11 Board meeting.

#### Quarter 1

- Name of milestone: Complete Initial Data Inventory (**Note: description revised from quarter 1 report**)
  - Timing: 3/11
  - Description: *CHHSA staff completed an initial data inventory of existing state-specific data, information, and analyses to meet data needs.*
- Name of milestone: *Provide Input in development California Insurance Market Review* (**Note: timing and description revised from quarter 1 report**)
  - Timing: 5/11
  - Description: *CHHSA staff provided input to the California HealthCare Foundation (CHCF) during the development of a California-specific individual and small group market overview. CHCF shared [findings](#) at the May 11 Board meeting.*

#### Stakeholder Involvement

##### Quarter 2

- Name of milestone: Launch and Maintain Exchange Website
  - Timing: 1/11 and ongoing
  - Description: CHHSA, with support from the Department of Health Care Services, launched the Exchange website, [www.healthexchange.ca.gov](http://www.healthexchange.ca.gov), to provide stakeholders with the opportunity to access relevant information regarding the Exchange including materials from Board meetings.
- Name of milestone: Webcast Board Meetings
  - Timing: 5/11
  - Description: The Exchange will begin webcasting Board meetings beginning with the May 24 meeting.

##### Quarter 1

- Name of milestone: Conduct Stakeholder Meetings
  - Timing: Ongoing

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- Description: CHHSA and the Exchange will conduct regular one-on-one and group meetings with stakeholders identified through the legislative process and during the first-year planning process.
- Name of milestone: Conduct Exchange Board Public Meetings (**Note: timing revised from quarter 1 report**)
  - Timing: 4/11 and monthly thereafter
  - Description: Open, public meetings of the Exchange Board will be conducted consistent with the Bagley-Keene Open Meeting Act, and promote the opportunity for public comment and testimony on the Exchange.

### **Program Integration**

#### **Quarter 2**

- Name of milestone: Initiate Communications with State Entities
  - Timing: 3/11
  - Description: CHHSA, the Department of Health Care Services (State Medicaid Department), the Office of Systems Integration (OSI), and the Managed Risk Medical Insurance Board (State CHIP administrator) will hold initial meetings in the second quarter of the planning grant to discuss options for streamlining eligibility and enrollment systems.
- Name of milestone: Begin Assessment of Current IT Capabilities and Future Needs
  - Timing: 5/11
  - Description: The Exchange will work with CHHSA, the Department of Health Care Services (State Medicaid Department), the Office of Systems Integration (OSI), and the Managed Risk to begin an assessment of current IT capabilities and future interoperability needs for program integration.

#### **Quarter 1**

- Name of milestone: Begin Assessment of Existing Coverage Programs
  - Timing: 8/11
  - Description: CHHSA and the Exchange will conduct a baseline assessment of existing coverage programs and develop options for meeting federal requirements related to the interaction between eligibility and enrollment for public programs (i.e. Medi-Cal and Healthy Families Program) and screening and enrollment activities to be implemented by the Exchange.
- Name of milestone: Begin Health Plan Assessment
  - Timing: 8/11
  - Description: CHHSA and the Exchange will develop a work plan to assess existing health plan standards, requirements, and performance measurements and evaluate the feasibility and advisability of aligning health care purchasing strategies and standards among public and private programs.

## Resources and Capabilities

### Quarter 2

- Name of milestone: Complete Salary Surveys for Executive Director and Chief Counsel
  - Timing: 3/11
  - Description: CHHSA staff received salary surveys for the Executive Director and Chief Counsel from Towers Watson, an international human resources consulting firm.
- Name of milestone: Develop Duty Statements for Key Executive Positions
  - Timing: 3/11
  - Description: CHHSA staff developed duty statements for key executive positions. The Board will review and approve the final duty statements prior to the hiring of these positions.

### Quarter 1

- Name of milestone: Hire *Acting Administrative Officer (AAO)* (**Note: timing and description revised from quarter 1 report**)
  - Timing: 4/11
  - Description: The Board appointed Patricia Powers for as the Exchange AAO at their April 20 meeting.
- Name of milestone: Short-term Staffing Plan
  - Timing: 6/11 (**Note: timing and description revised from quarter 1 report**)
  - Description: *CHHSA and Exchange staff will* develop and implement a short-term Exchange staffing plan, including number and type of staff, salaries, job descriptions, and recruitment timeline.

## Governance

### Quarter 2

- Name of milestone: Establish Board Subcommittee for Search/Recruitment
  - Timing: 4/11
  - Description: At the April 20 meeting, the Board established Board subcommittee for search and recruitment of an Executive Director.
- Name of milestone: Establish Board Subcommittee for Establishment Grant Development
  - Timing: 4/11
  - Description: At the April 20 meeting, the Board established a Board subcommittee for to provide policy direction to staff in developing an Exchange establishment grant application.

### Quarter 1

- Name of milestone: Establish Exchange Board
  - Timing: 3/11
  - Description: Appoint and organize the Exchange Board, pursuant to authorizing state legislation.

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- Name of milestone: Establish Board Calendar (**Note: timing revised from quarter 1 report**)
  - Timing: 4/11
  - Description: Establish Board meeting calendar for the first year, including proposed issues, topics, and actions for each meeting.

## **Finance**

### **Quarter 2**

- Name of milestone: Initiate Analysis of Resources Needed for the Exchange
  - Timing: 5/11
  - Description: CHHSA and the Exchange will begin an initial analysis of requirements and resources needed to operate the Exchange.
- Name of milestone: Initiate Search and Recruitment for Chief Financial Officer
  - Timing: 9/11
  - Description: Exchange staff and Board will initiate search and recruitment process for Chief Financial officer including conducting a salary survey, approving a duty statement, and advertising the position.

### **Quarter 1**

- Name of milestone: Establish Administrative Systems (**Note: timing revised from quarter 1 report**)
  - Timing: 7/11
  - Description: The Exchange will establish basic administrative and accounting systems for Board operations, staff recruitment, and ongoing accounting support.
- Name of milestone: Begin Development of RFP for Actuarial Services
  - Timing: 8/11
  - Description: The Exchange will develop RFP for actuarial services in support of Exchange development to obtain information and expertise on existing markets, products, pricing, and distribution networks.

## **Technical Infrastructure**

### **Quarter 2**

- Name of milestone: Review IT Guidance
  - Timing: Ongoing
  - Description: CHHSA and the Exchange regularly review IT guidance relating to the Exchange and Medicaid and update planning efforts based on new guidance.
- Name of milestone: Initiate Discussions with State Entities and Counties Regarding Technical Infrastructure
  - Timing: 3/11
  - Description: CHHSA, the Department of Health Care Services (State Medicaid Department), the Office of Systems Integration (OSI), and the Managed Risk Medical Insurance Board (State CHIP administrator), and the counties held initial



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meetings to discuss options for streamlining eligibility and enrollment, working to reach an agreement on steps moving forward.

**Quarter 1**

- Name of milestone: Initiate IT Inventory
  - Timing: 6/11
  - Description: CHHSA and the Exchange will inventory existing computer and technology systems, and other state infrastructure relevant to Exchange operations, including an analysis of what current and existing IT projects will be affected by, supportive of, and modified by the Exchange operations.
- Name of milestone: Assess ONC Standards
  - Timing: 6/11
  - Description: CHHSA and the Exchange will evaluate and assess standards adopted by the Office of the National Coordinator (ONC) for impact on Exchange operations and standards for qualified health plans.

**Business Operations**

**Quarter 2**

- Name of milestone: Facilitate Board Discussion and Stakeholder Comment on the SHOP Exchange
  - Timing: 5/11
  - Description: CHHSA and Exchange staff will arrange for the Board to be briefed on federal requirements and policy options related to the SHOP Exchange. The Board will discuss this topic in open session and solicit public comment. CHHSA and Exchange staff will arrange for follow up information and action.
- Name of milestone: Facilitate Board Discussion and Stakeholder Comment on Business and Systems Requirements Related to Eligibility and Enrollment
  - Timing: 6/11
  - Description: CHHSA and Exchange staff will arrange for the Board to be briefed on several aspects of eligibility and enrollment including federal requirements, current eligibility determination approaches, and work underway to enhance the consumer experience. The Board will discuss this topic in open session and solicit public comment. CHHSA and Exchange staff will arrange for follow up information and action.

**Quarter 1**

- Name of milestone: Secure Office Space (*Note: timing revised from quarter 1 report*)
  - Timing: 9/11
  - Description: CHHSA will assist in locating and securing office space and equipment for Exchange staff and operations.
- Name of milestone: Identify and Incorporate Core Capabilities
  - Timing: 9/11

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- Description: Exchange staff will incorporate into the long-term workplan and timeline identification of core capabilities and functionalities needed to conduct the basic business operations of the Exchange by 2014.

## Regulatory or Policy Actions

### Quarter 2

- Name of milestone: Comment on Relevant Federal Guidance and Rulemaking
  - Timing: Ongoing
  - Description: CHHSA and other state departments continue to comment on relevant federal guidance to ensure California's perspective is heard. The Exchange will continue this task once it is staffed.
- Name of milestone: Analyze State Legislative Proposals Affecting the Exchange
  - Timing: Ongoing
  - Description: The Exchange will analyze and regularly provide comments, feedback, and positions on state legislative proposals affecting the Exchange, and related public program and insurance market policies.

### Quarter 1

- Name of milestone: Provide public Information Regarding the California Health Benefit Exchange
  - Timing: Ongoing
  - Description: CHHSA and Exchange staff will develop and disseminate for the Exchange Board and the public materials related to the Affordable Care Act (ACA) and related federal law, guidance, and regulations, as well as applicable state laws, affecting the implementation and operation of the Exchange.
- Name of milestone: Identify Required Statutory Changes
  - Timing: 7/11
  - Description: CHHSA and Exchange staff will identify statutory changes as may be needed for effective implementation of the Exchange and seek legislation enacting those changes.

## Collaborations/Partnerships

- **Name of Partners:** Department of Health Care Services (DHCS), Managed Risk Medical Insurance Board (MRMIB), Office of Systems Integration (OSI)
  - **Organizational Type of Partner:** DHCS is the Medicaid Agency; MRMIB is the CHIP agency; OSI procures and manages technology systems that support the delivery of health and human services.
  - **Role of Partner in Establishing Insurance Exchange:** The interaction between the Exchange, Medicaid, and CHIP is a key part of the success of the Exchange especially as relates to IT infrastructure for eligibility and enrollment and for contracting with health plans.

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- **Accomplishments of Partnership:** Collaborative preliminary planning work done on eligibility and enrollment procedures for the Exchange and Medi-Cal.
  - **Barriers/Challenges of Partnership:** Although the Exchange and Medi-Cal are closely interwoven due to eligibility and enrollment processes the Exchange must perform, they are two separate programs with independent goals that may not always lead to consensus.
- **Name of Partners:** California HealthCare Foundation (CHCF) and Blue Shield of California Foundation (BSCF)
    - **Organizational Type of Partner:** California-based health philanthropies.
    - **Role of Partner in Establishing Insurance Exchange:** CHCF and BCSF have funded activities related to preparing the establishment grant.
    - **Accomplishments of Partnership:** CHCF is funding a grant preparation plan and initial grant writing. BSCF is funding IT systems options analysis.
    - **Barriers/Challenges of Partnership:** California is grateful to have generous foundation support during the start up period of the Board. However, the Exchange will need to transition from foundation-supported work to Exchange-funded work completed by Exchange staff or consultants.

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**Public Report**

Grantees are required to prominently post progress reports about their planning grants on their respective Internet websites to ensure that the public has information on the use of funds. The Public Report must be compliant with Section 508 (see <http://www.section508.gov/> for more information). The required public report includes, but is not limited to:

1. Project Summary – an overview of the grantee’s activities, both planned and accomplished
2. Stakeholder Involvement – an outline of any and all opportunities for involvement to the residents of the State and other pertinent stakeholders. This includes any discussions regarding the Exchanges such as public hearings, town hall meetings, etc.
3. Budget – the total amount of the grant award and the broad budgetary categories of the award.
4. Deliverables – all press releases, news articles, public recognition, and any other documentation allowed by law for public disclosure.

In addition, it is the grantees discretion to publicly disclose any and all information in the quarterly and/or final project reports.

**PRA Disclosure Statement**

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